Supreme Court, U.S.
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No. OFFICE OF THE CLERK

In The Supreme Court of the United States October Term, 1997

E. J. COMPANY, VIRA HAYES,
AND
ROBERT HAYES,

Petitioners,

v.

SANDVIK AKTIEBOLAG,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

I. Whether the patent monopoly prohibits replacement of an unpatented part of a patented combination.

II. Whether the Aro I standard for determining permissible replacement of an unpatented element of a claimed combination should now include the following factors: (1) the relative life span of the elements; (2) the existence of an industry for repairing the unpatented element; and (3) the patentee's intent regarding permissible repair of the unpatented element.

STATEMENT PURSUANT TO RULE 29.1

The only parties to this action are those listed in the caption. E. J. Company has no parent or subsidiary companies.

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Petitioners, E. J. Company, Vira Hayes and Robert Hayes, (hereinafter "E. J. Company"), respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit (hereinafter "Federal Circuit") in this case.

OPINIONS BELOW

The opinion of the Federal Circuit is reported at 121 F.3d 669, 43 USPQ2d 1620 (Fed. Cir. 1997) and is reprinted in the Appendix (*infra,* 1a - 9a). The opinion of the United States District Court for the Eastern District of Tennessee is reported at 930 F.Supp. 306 (EDTenn 1996) and is reprinted in the Appendix (*infra,* 24a - 34a). Other opinions of the United States District Court for the Eastern District of Tennessee are reprinted in the Appendix (*infra,* 11a - 23a).

JURISDICTION

The Federal Circuit entered its decision on August 6, 1997. E. J. Company requested rehearing. The Federal Circuit denied E. J. Company's petition for rehearing on October 16, 1997. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

No statutes are directly involved in the present petition.

STATEMENT OF THE CASE

As is more fully set forth below, in the proceedings below the Respondent, Sandvik, alleged infringement of U.S. Letters Patent No. 4,222,690 (hereinafter "the '690 patent")[App. 35a - 42a], and U.S. Letters Patent No. 4,381,162 (hereinafter "the '162 patent")[App. 43a - 50a]. The primary issue before the district court on motion for summary judgment was whether certain conduct of E. J. constitutes permissible repair, or impermissible reconstruction. The district court granted a motion for summary judgment of non-infringement, and the Federal Circuit reversed on appeal.

I. BACKGROUND

A. THE PATENTED TECHNOLOGY.

Both of the patents-in-suit generally relate to a drill having a shank portion and a pair of specifically configured cutting edges. Figures 1-4 of the '690 patent, set forth below, illustrate the basic construction of the drill in question.

FIG. 1.

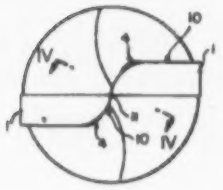


FIG. 2.

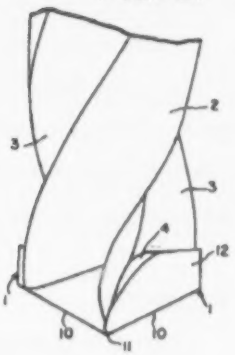


FIG. 3.

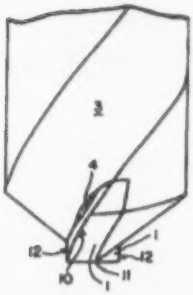
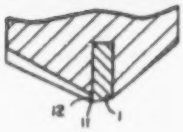
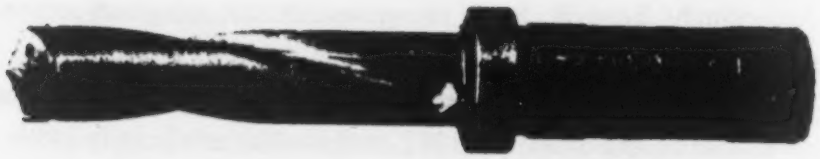


FIG. 4.



In the illustrations set forth above, the tip insert is referenced at "1" in FIGS. 1-4 and the shank of the drill is referenced at "2" in FIG. 2. In the commercial configuration of the drill which is manufactured by Sandvik the cutting edges of the drill are defined by a carbide tip insert which is mounted in a slot provided in the shank of the drill, with the tip insert being secured in place by brazing. In other words, the carbide tip insert is soldered in place using a hard solder having a relatively high melting point. A photograph of a typical Sandvik Coromant drill of the type which is repaired by E. J. Co., is set forth below.



It will also be noted that the Claims of the '690 and '162 patents are directed to a drill, or a method of drilling a bore, and the cutting edges formed on the tip insert are merely unpatented elements of the patented drill.

B. FACTUAL BACKGROUND.

There was affidavit testimony before the district court on motion for summary judgment that, the carbide tip inserts generally wear out long before the shank of the drills. Therefore, it is a common practice in the industry for drill owners to have their drills repaired rather than discarding usable shanks, and various companies offer repair services which include the retipping of drills. While preparing for its motion for summary judgment of non-infringement in the district court proceedings E.J. took the deposition of Mr. Tony Yakamavich, who was the person designated by Sandvik under FRCP 30(b)(6) to testify on its behalf on the "repair vs. reconstruction" issue. Mr. Yakamavich testified as follows:

> Q. In the industry is it common, and I'm talking about drills, not just that may have patent coverage alleged to apply to them, is it common for the service of retipping to be offered to owners of the drills?
>
> A. Yes, sir.
>
> Q. Does that practice commonly involve drill tips that are brazed into the shank?
>
> A. Yes, sir.
>
> Q. Are you aware of companies that offer that service?
>
> A. I am.

Accordingly, Sandvik clearly recognized that retipping is a common practice.

E. J. has been in the business of repairing used drills for their owners since approximately 1983, and since approximately 1988 or 1989 has marketed its own carbide drill. In connection with its repair business, E. J. has, at the request of its customers, replaced the worn carbide tip inserts of drills manufactured and sold by Sandvik, as well as those of other drill manufacturers, with new carbide tip inserts. With respect to the repair process by which Sandvik drills are repaired, when the worn drills are received from their owners for repair they are analyzed to ascertain what repairs are necessary. If there is damage to the shank of the drill, the drill is returned to the owner without repair, or, in some instances, thrown away. If the cutting edges of the drill merely need sharpening, the edges are sharpened and the drill is returned to the owner. It will be noted in this regard that Sandvik took the position that sharpening of its drills is not deemed to constitute infringement.

If the tip insert is too badly worn or damaged to be resharpened, the tip insert is removed and replaced. Pursuant to the repair process, the distal end of the drill is heated to melt the brazing material, and the worn tip insert is removed from the shank. A replacement tip insert is then secured in the slot of the original drill shank by brazing. After the drill has cooled, the tip insert is ground to the proper diameter utilizing a conventional grinding machine, and, utilizing sharpening instructions published by Sandvik, the tip insert is further ground to produce the desired cutting edges.

Thus, the repair performed by E. J. on Sandvik's drills, and the drills of others, simply involves the replacement of a worn part with a new one, and only the tip insert is replaced. E. J. does not replace the shank of the drill or any part thereof. Moreover, E. J. does not sell, and has not sold, repaired Sandvik's drills to new owners. The retipping services of E. J. are strictly repair services offered to the owners of the drills who generally do not have the equipment to repair the drills themselves.

II. PROCEEDINGS BELOW

Sandvik filed suit against E.J. in the U.S. District Court for the Middle District of Tennessee on December 7, 1994, alleging infringement of the '690 and '162 patents. Both parties moved for summary judgment on the repair vs. reconstruction issue, and on January 22, 1996, the district court entered an Order and Memorandum dismissing Sandvik's patent infringement claims. [App. 24a - 34a]. In this regard, the district court held that the conduct of E.J. constituted the mere replacement of an unpatented part of a patented combination, and, thus, constituted permissible repair under this Court's opinion in Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961). On February 16, 1996, Sandvik moved for reconsideration of the district court's dismissal of its infringement action, and on April 17, 1996, such request for reconsideration was denied by the district court, with the district court entering a further memorandum stating the reasons for such denial. [App. 17a - 23a]. On June 24, 1996, E. J. moved for summary judgment with regard to Sandvik's claim of unfair competition, and, upon Sandvik's failure to file a response to such motion, the district court entered a final Order on November 7, 1996, dismissing Sandvik's case.

On December 6, 1996, Sandvik filed a Notice of Appeal appealing to the Federal Circuit from the district court's dismissal of Sandvik's complaint. The only issues presented on appeal related to the propriety of the district court's ruling on the repair vs. reconstruction issue. In a Decision dated August 6, 1997, the Federal Circuit reversed the grant of summary judgment by the district court, holding that the activities of E. J. constituted impermissible reconstruction. On August 18, 1997, E. J. filed a Petition for Rehearing and Suggestion for Rehearing In Banc asserting that the Federal Circuit's decision was contrary to this Court's prior precedent, and seeking a rehearing of the appeal. On October 16, 1997, E. J.'s Petition for Rehearing was denied, and E. J. now petitions for a writ of certiorari seeking review of the Federal Circuit's reversal of the district court's dismissal of Sandvik's action.

REASONS FOR GRANTING THE PETITION

I. THE DECISION OF THE FEDERAL CIRCUIT IS IN DIRECT CONFLICT WITH THIS COURT'S PRECEDENT.

For over three decades this Court's opinion in Aro Mfg. v. Convertible Top Replacement Co., 365 U.S. 336 (1961)("Aro I"), has served as the guiding precedent in determining whether work performed on a patented device constitutes permissible repair, or impermissible reconstruction. In the years since Aro I the courts of appeal and the district courts have applied the Supreme Court's precedent to provide predictable determinations of the repair vs. reconstruction issue, thereby giving a degree of certainty of result which has escaped other patent related issues such as, for example, the application of the doctrine of equivalents. However, it is respectfully submitted that the Federal Circuit's decision in the instant case undermines this Court's longstanding precedent by introducing a new test for determining the question of repair vs. reconstruction which is in conflict with this Court's decision in Aro I.

A. THIS COURT'S DECISION IN *ARO I*

In Aro I this Court held that ". . . reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' after the entity, viewed as a whole, has become spent." 365 U.S. at 346 (citations omitted). In Aro I, the patent owner held a patent for a "Convertible Folding Top with Automatic Seal at Rear Quarter" utilized for automobiles. The patent claims covered the combination of a flexible top fabric, supporting structures, and a mechanism for sealing the fabric against the sides of the automobile body. Aro manufactured and sold replacement fabrics designed to fit the models of convertibles equipped with tops embodying the patented combination. Both the district court and the court of appeals found infringement, but this Court reversed.

First addressing the issue of direct infringement, this Court held as follows:

> . . . [T]he fabric is no more than an unpatented element of the combination which was claimed as the invention, and the patent did not confer a monopoly over the fabric or its shape. In Mercoid Corp. v. Mid-Continent Co., 320 U.S. 661, 667, 60 USPQ 21, 25, this court ruled the point as follows:
>
> > "The patent is for a combination only. Since none of the separate elements of the combination is claimed as the invention, none of them when dealt with separately is protected by the patent monopoly."
> >
> > * * * * *
> >
> > It follows that petitioners' manufacture and sale of the fabric is not a *direct* infringement under 35 U.S.C. §271(a).

365 U.S. at 339-40, 128 USPQ at 356. With respect to contributory infringement, this Court stated:

> This Court's decisions specifically dealing with whether the replacement of an unpatented part, in a patented combination, that has worn out, been broken or otherwise spent, is permissible "repair" or infringing "reconstruction," have steadfastly refused to extend the patent monopoly beyond the terms of the grant. Wilson v Simpson, 9 How. 109 --- doubtless the leading case in this Court that deals with the distinction --- concerned a patented planing machine which included, as elements, certain cutting knives which normally wore out in a few months' use. The purchaser was held to have the right to replace those knives without the patentee's consent. The Court held that, although there is no right to

> "rebuild" a patented combination, **the entity "exists" notwithstanding the fact that destruction or impairment of one of its elements renders it inoperable**; and that, accordingly, replacement of that worn-out essential part is permissible restoration of the machine to the original use for which it was bought. 9 How., at 123. The Court explained that it is "the use of the whole" of the combination which a purchaser buys, and that repair or replacement of the worn-out, damaged or destroyed part is but an exercise of the right "to give duration to that which he owns, or has a right to use as a whole." Ibid.

365 U.S. at 342-43, 128 USPQ at 358 (Emphasis added).

> Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

365 U.S. at 346, 128 USPQ at 359.

In Aro I this Court also dealt with the patent owner's assertions regarding the "essentialness" of the fabric element to the combination noting:

> That an unpatentable part of a combination patent may distinguish the invention does not draw to it the privilege of a patent. . . . However worthy it may be, however essential to the patent, an unpatented part of a combination patent is no more entitled to monopolistic protection than any other unpatented device.

Aro I, 365 U.S. at 345, 128 USPQ at 359 (quoting Mercoid Corp. v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680, 684, 60 USPQ 30, 32 (1944). Accordingly, when a patentee sells a patented combination to its customers he grants them an implied license to use the device for its useful life. Kendall Co. v. Progressive Medical Technology, 85 F.3d 1570, 1573, 38 USPQ2d 1917, 1920 (Fed. Cir. 1996). That implied license to use includes the right to repair the patented article and necessarily to purchase repair parts from others.

B. THE DECISION OF THE FEDERAL CIRCUIT IN THE CASE AT BAR.

The Federal Circuit below acknowledged that the Supreme Court has taken an expansive view of what constitutes a permissible repair [App. 5a], and enumerated certain factors which it indicated are to be considered in determining whether reconstruction has occurred. In this regard, the Federal Circuit stated:

> There are a number of factors to consider in determining whether a defendant has made a new article, after the device has become spent, including the nature of the actions by the defendant, the nature of the device and how it is designed (namely, whether one of the components of the patented combination has a shorter useful life than the whole), whether a market has developed to manufacture or service the part at issue and objective evidence of the intent of the patentee.

[App. 6a]. It will first be noted that Aro I sets forth no such factors, or test, for determining the issue. Indeed, in Aro I this Court admonished the appellate court to focus only on those factors which, under the particular circumstances, are determinative of whether a new article has been made after the entity, viewed as a whole, has become spent, stating:

> The distilled essence of the Wilson case was state by Judge Learned Hand in United States v. Aluminum Co. of America, 148 F.2d 416, 425, 65

> USPQ 6, 15-16 (C.A. 2d Cir.): "The [patent] monopolist cannot prevent those to whom he sells from * * * **reconditioning** articles worn by use, unless, they in fact make a new article." **Instead of applying this plain and practical test, the courts below focused attention on operative facts not properly determinative of the question of permissible repair *versus* forbidden reconstruction. The Court of Appeals found that the fabric "is not** a minor or relatively inexpensive component" of the patented combination, or **an element that would expectedly wear out after a very short period of use—although its "expectable life span" is shorter than that of the other components—and**, for these reasons, concluded that "an owner would [not] rationally believe that * * * he was making only a minor repair" in replacing the worn-out fabric, but that instead, the replacement "would be counted as a major reconstruction." **We think that test was erroneous**.

365 U. S. at 343-44 (Emphasis added). Following the above-quoted language the Aro I Court went on to elaborate on the respondents argument concerning the essentialness of the fabric and the relative durability of the parts, but stated:

> We cannot agree. For if anything is settled in the patent law, it is that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant. [citation omitted] The basic fallacy in respondent's position is that it requires the ascribing to one element of the patented combination the status of patented invention in itself.

365 U. S. at 344-45.

The above notwithstanding, in the instant case the Federal Circuit includes in its factors to be determined the relative life of the components of the combination. More specifically, the Federal Circuit considered whether one of the components of a patented combination has a shorter life span than other components, and placed great weight on its finding that the case at bar "is not a case where it is clear that the patented device has a useful life much longer than that of certain parts which wear out quickly." [App.7a]. It is E. J.'s contention that the part being replaced, i.e. the carbide drill tip, does wear out more quickly that the other components of the drill. [App. 27a]. However, whatever the proper determination of this factual issue may be, it was improper for the Federal Circuit to focus on this issue, and it was clearly contrary to this Court's holding in Aro I.

It is recognized that there may be circumstances where the fact that an unpatented element of a patented combination has a shorter life span than the rest of the combination is persuasive evidence that a certain activity is permissible repair. In this regard, the shorter life span may tend to show an expectation that replacement will be necessary. On the other hand, however, a lack of disparate life span is not necessarily indicative of reconstruction. Indeed, if the focus of the inquiry is whether a new patented article has been made, the relevant life span of various unpatented components is irrelevant. If a patented device comprises multiple unpatented parts, all deemed to have the same life span, the purchaser should not be precluded from replacing a damaged part simply because the damaged part was expected to last as long as the other parts. For example, if a patented television has an expected life span of ten years, and an unpatented tuning component of the television fails at some point during, or after, that ten year period, the fact that the tuning component was also expected to last ten years does not make replacement of the tuning component impermissible reconstruction. The lack of disparate life spans does not ascribe to the individual parts the status of patented invention. This notwithstanding, the precedential holding of the Federal Circuit in the instant case is that the relative life spans of the

unpatented components and the patented combination is a factor which must be considered, and that an absence of disparate life spans is evidence of impermissible reconstruction. This is not the law as stated by this Court in Aro I.

Another factor which the Federal Circuit held must be considered in determining the repair vs. reconstruction issue is whether a market has developed to manufacture or service the part at issue. [App. 6a]. In this regard, the Federal Circuit placed great weight on its finding that there was no substantial market for drill retipping of the sort required for the Sandvik drill. [App. 8a]. It is E. J.'s contention that there was substantial evidence in the record of a market for drill retipping. [App. 28a]. Indeed, the testimony of Sandvik's own employee was that replacement of carbide drill tips is a common practice. However, whatever the proper determination of this factual issue may be, it was improper for the Federal Circuit to focus on this issue and contrary to this Court's holding in Aro I. In this regard, this is another factor which may be helpful in demonstrating that a particular activity should be viewed as permissible repair, but the lack of a market which manufactures or services the part at issue is by no means indicative of impermissible reconstruction. For example, the fact that an industry had arisen to repair convertible tops for automobiles was supportive of a conclusion that replacement of the fabric on the top was simply repair. However, situations, such as in Aro I, where a specific repair industry has arisen to repair a particular part are the exception rather than the rule. Clearly the right of an owner to repair the unpatented handle of his patented shovel should not be usurped simply because he cannot show that an industry exist for repairing shovel handles. Likewise, the right of a drill owner to repair the unpatented tip insert of his patented drill should not be usurped simply because he cannot show that an industry exist for retipping drills.

In accordance with the Federal Circuit's new test, another factor which is to be considered in determining whether a new article has been made is "objective evidence of the intent of the patentee."

[App. 6a]. In this regard, in the instant case the Federal Circuit placed considerable weight on its finding that ". . . there was no intent evidenced by the patentee that would support E. J.'s argument that replacement of the tips is a repair." [App. 8a] But see Hewlett-Packard Co. v. Repeat-O-Type Stencil Manufacturing, 123 F.3d 1445, 43 USPQ2d 1650 (Fed. Cir. 1997) (held that a patentee's intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell, or modify a patented product as long as a reconstruction of the patented combination is avoided). However, it is respectfully submitted that this factor is also irrelevant to the question of whether a new article has been made.

Evidence that a patentee intended that an unpatented part be replaced may well be relevant to the question of whether the patentee has admitted that repair was permissible, as in Sage Prods., Inc. v. Devon Indus., Inc., 45 F.3d 1575, 33 USPQ2d 1765 (Fed. Cir. 1995). However, the absence of evidence of such intent is irrelevant to the question of whether a new patented article has been made. The manufacturer of a patented lawn mower may well intend that the unpatented motor last the life of the mower, but that intent is irrelevant to whether the owner should be permitted to replace the motor when damaged. Similarly, Sandvik's assertion that it did not intend for the tip insert to be replaced is irrelevant to the question of whether a new patented drill has been made, yet the Federal Circuit focused on the absence of objective evidence of intent in determining this case. Indeed, the Federal Circuit viewed it as a situation where the burden was on E.J., the defendant, to establish that there was an intent to replace. [App. 8a]. It is also noted that Sandvik's assertions of intent appear particularly hollow in view of its admission that retipping is a common industry practice. It is equivalent to a manufacturer of convertible tops asserting that even though it is common practice in the industry for the fabric to be replaced, it did not intend for the fabric on its patented top to be replaced.

CONCLUSION

What the Federal Circuit has done in the case at bar is set forth a test based upon factors which may be totally irrelevant to the question of whether a new patented device has been made. This is the very circumstance which this Court warned against in Aro I. In Aro I this Court held that the plain and practical test is whether a new article has been made, and it is improper to focus on factors, such as the life span of the individual unpatented parts. The Federal Circuit's precedential holding in the present case will certainly unsettle an area of patent law which has been well settled for over three decades. If patent protection extends to unpatented parts of a patented combination simply because such parts are expected to last the life of the patented combination the rights of a purchaser to repair that which he owns will be significantly limited. Similarly, if the patentee's intent not to have his patented products repaired can bestow patent protection upon the unpatented parts of the product, the rights of a purchaser to repair that which he owns will be significantly eroded. This is not the expansive view of the repair vs. reconstruction issue which this Court espoused in Aro I, and if this Federal Circuit precedent is allowed to stand great uncertainty as to the state of the law on this issue will result.

Moreover, if allowed to stand, this new Federal Circuit precedent will have far reaching economic consequences in various repair industries. As Sandvik's own employee testified, drill retipping is a common practice. E.J. has been offering this repair service for many years along with other engineering companies. Further, various companies sell the carbide blanks which are used in the retipping of drills. This repair industry will loose significant revenue should the law now be changed to make the replacement of unpatented parts of patented drills impermissible. And, the adverse effects of the Federal Circuit's holding in this case will not be limited to the cutting tool repair industry. All repair industries must now take into consideration that the replacement of an unpatented part which is expected to last the useful life of a patented product, or which the patentee does not intend

to be replaced, may now constitute infringement notwithstanding that such part has been commonly, and lawfully, repaired for years under this Court's holding in Aro I. In addition, not only will the Federal Circuit's decision in this case have far reaching economic consequences in various cutting tool repair industries, but it will also have a negative economic impact on other industries, such as the automotive industry, that utilize drills and other cutting tools, especially carbide tipped drills and cutting tools.

In light of the above, E.J. urges the Court to grant its petition, and review the Federal Circuit's ruling in the present case.

Respectfully submitted

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January 12, 1998

APPENDIX

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

97-1168

SANDVIK AKTIEBOLAG,

Plaintiff-Appellant,

V.

E.J. COMPANY, VIRA HAYES and ROBERT HAYES,

Defendants-Appellees.

DECIDED: August 6,1997

Before ARCHER, Chief Judge, MICHEL, and LOURIE, Circuit Judges. ARCHER, Chief Judge.

Sandvik Aktiebolag (Sandvik) appeals the order of the United States District Court for the Middle District of Tennessee, No. 3-94-1076, granting summary judgment of noninfringement in favor of defendant E.J. Company (E.J.). The district court held that United States Patent No. 4,222,690 (the '690 patent) and United States Patent No. 4,381,162 (the '162 patent) were not infringed because defendant's replacement of the carbide tip of the drill constituted a permissible repair. We reverse.

BACKGROUND

The facts in this case are not in dispute. The patents in suit are directed to a drill with a shank portion and a unique carbide tip geometry that has specially configured cutting edges resulting in a drill

suitable for high-feed machining with improved cutting ability especially at its center portion.[1] The drill tip is not separately patented.

[graphic here]

As illustrated in the above drawings from the.'690 patent, the drill has a tip (1), shank portion (2), twisted grooves (3), projections (4) (these projections bend and break the chips to render them smoothly removable) and a conical end having a center point (11) at the apex of the cone and a pair of cutting edges (10). The drill shank (2) is made of medium carbon steel. The drill tip (1) is made of a more durable carbide and is brazed to the steel shank (2). Brazing is like

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[1]Claim 1 of the '690 patent provides:

> A drill comprising a pair of cutting edges each starting at the center of rotation of the drill and extending symmetrically with respect to said center and curved outwardly away from the direction of rotation of the drill with a greater curvature in the radial inner portion than in the outer peripheral portion of the drill when viewed from the bottom of the drill, each of the cutting edges being formed with a rake face starting at said center of rotation and having a rake angle approximately equal to zero at the radial inner portion of said rake face, said drill having twisted grooves, and means defining a cavity formed in said twisted grooves close to said starting end of each of the cutting edges to provide an increase in rake face at the inner radial portion of the cutting edge in the vicinity of said starting end of said cutting edge.

The '162 patent, a division of the '690 patent, describes and claims similar subject matter. For example, claim 1 of the 162 patent claims a method of drilling a bore using a drill having "helical grooves and a pair of cutting edges having a rake face."

soldering but with a much higher melting point. It requires a temperature of 1300 degrees Fahrenheit to join the carbide tip to the steel shank.

Sandvik manufactures a commercial embodiment of the patented drill. Although made of durable carbide, over time and use, the drill tip dulls and may require resharpening. Resharpening, also known as regrinding, involves putting a new edge on the drill tip. Normally, the drill can cut through about one thousand inches of material before needing resharpening, depending, of course, upon the hardness of the material being cut. Sandvik expects the drill tip to be resharpened and, in fact, issues guidelines explaining how to resharpen the tip so as to maintain the specially configured cutting edges. Sandvik does not contend that resharpening constitutes infringement.

E.J. offers a drill repair service which includes resharpening and retipping Sandvik drills. E.J. retips, at the request of its customers, when the tip cannot be sharpened because it chips, cracks or simply wears down after being resharpened several times. According to E.J.'s vice-president, Mr. Robert Hayes, some of E.J.'s customers elect not to have the drill retipped when it cannot be resharpened any longer. E.J. returns the drill to the customer or disposes of it at the customer's request. The parties agree that when the tip is damaged (i.e. chipped, cracked or sufficiently worn down so that it cannot be resharpened), the drill has reached the end of its useful life unless R is retipped.

E.J.'s retipping process includes removing the worn or damaged tip by heating the tip to 1300 degrees Fahrenheit using an acetylene torch. E.J. then brazes in a rectangular piece of new carbide onto the drill shank. After the piece of carbide has cooled, E.J. recreates the patented geometry of the cutting edges by machining the carbide. This process includes: (1) grinding the carbide to the proper outside diameter; (2) grinding the carbide to a point; (3) grinding the rake surfaces of the new point; (4) grinding the center of the new point; and (5) honing the edges. In the final steps of the machining process, E.J. creates the cutting edges by following Sandvik's instructions for tip resharpening.

Sandvik claims that E.J.'s retipping service constitutes an infringing reconstruction of its patented drills. Sandvik does not manufacture or sell replacement drill tips. It contends that it never intended for the drills to be retipped. E.J. contends that its retipping service is a lawful repair of the patented drills.

On December 7, 1994, Sandvik filed a patent infringement suit in the United States District Court for the Middle District of Tennessee claiming that E.J.'s retipping service was an impermissible reconstruction of the patented drill and that E.J.'s actions, therefore, constituted an infringement of the '690 and '162 patents. On summary judgment, the district court held that E.J.'s retipping was a permissible repair, not a reconstruction of the drills.

DISCUSSION

I.

We review the district court's grant of summary judgment de novo, Conroy v. .Reebok Int', Ltd., 14 F.3d 1570, 1575, 29 USPQ2d 1373, 1377 (Fed. Cir. 1994), with all justifiable factual inferences being drawn in favor of the party opposing summary judgment, Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). Summary judgment is appropriate where there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(c). Whether defendant's actions constitute a permissible repair or an infringing reconstruction is a question of law which we also review de novo. Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 217 (1980) (holding that whether defendant's action constitutes a repair or a reconstruction is a "legal distinction"); Sage Prods., Inc. v. Devon Indus., Inc., 45 F.3d 1575, 1577, 33 USPQ2d 1765, 1766-67 (Fed. Cir. 1995) (whether defendant's actions were a permissible repair or an infringing reconstruction is a question of law); FMC Corp. v. Up-Right, Inc., 21 F.3d 1073, 1078, 30 USPQ2d 1361, 1364 (Fed. Cir. 1994) (the distinction between repair and reconstruction is a "legal standard"").

II.

Direct infringement includes the making of a patented article without authority. 35 U.S.C. § 271(a) (1994). Sandvik contends that E.J. is reconstructing its patented drill and therefore infringing its '690 and '162 patents under § 271(a). However, when Sandvik sold its patented drills to its customers, it granted them an implied license to use the drill for its useful life, see Aro Mfg. Co. v. Convertible Top Replacement Co., 377 U.S. 476, 484 (1964) ("Aro II"), and the implied license to use includes the right to repair the patented drill, see, e.g., Standard Havens Prods., Inc. v. Gencor Indus., Inc., 953 F.2d 1360, 1376, 21 USPQ2d 1321, 1333 (Fed. Cir. 1991).

The Supreme Court has taken an expansive view of what constitutes a permissible repair. In Aro Mfg. Co. v. Convertible Tor) Replacement Co., 365 U.S. 336 (1961) ("Aro I"), the Court held that the replacement of the fabric portion of a convertible car top was a permissible repair, not an infringing reconstruction. 365 U.S. at 346. The Court held: "No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement may be." Id. at 345. Therefore, even if E.J.'s retipping service cost almost as much as the drill or if the replacement of the tip is difficult and time consuming, as in this case, these factors are not dispositive of reconstruction.

The Court also rejected the "heart of the invention test." See id. at 344-45 (holding that replacement of the distinguishing part of the patented combination does not amount to a reconstruction because a patent covers the totality of the elements in a combination); see also Dawson Chem., 448 U.S. at 217 (This Court has "eschewed the suggestion that the legal distinction between 'reconstruction' and 'repair' should be affected by whether the element of the combination that has been replaced is an 'essential' or 'distinguishing' part of the invention.") (citing Aro I, 365 U.S. at 344); Sage Prods., 45 F.3d at 1577, 33 USPQ2d at 1767 ("The size or relative importance of the

replacement part to the patented combination is not relevant when determining whether conduct constitutes repair or replacement."). Therefore, the fact that E.J. may be replacing the novel features of the '690 patented invention is also not dispositive of reconstruction.

In Aro I, the Supreme Court further explained the test for what constitutes a reconstruction: "The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' after the entity, viewed as a whole, has become spent." 365 U.S. at 346 (citations omitted). Although we question the district court's finding that the tip is, in fact, a separate part of the device, we need not reach this issue because the court nevertheless failed to analyze whether the replacement of this "part" constituted reconstruction consistent with Aro I.

There are a number of factors to consider in determining whether a defendant has made a new article, after the device has become spent, including the nature of the actions by the defendant, the nature of the device and how it is designed (namely, whether one of the components of the patented combination has a shorter useful life than the whole), whether a market has developed to manufacture or service the part at issue and objective evidence of the intent of the patentee. Under the totality of the circumstances, we hold in this case that E.J.'s actions are a reconstruction.

By E.J.'s own admission, the drill is "spent" when the tip can no longer be resharpened unless it is retipped. In fact, the record reveals that E.J.'s customers may elect not to retip and inform E.J. to discard the drill instead.

Moreover, the nature of the work done by E.J. shows that retipping is more like reconstruction than repair. E.J. does not just attach a new part for a worn part, but rather must go though several steps to replace, configure and integrate the tip onto the shank. It has to break the worn or damaged tip from the shank by heating it to 1300 degrees Fahrenheit. It brazes to the shank a new rectangular block of carbide and grinds and machines it to the proper diameter and creates

the point. Thereafter, the tip is honed and sharpened, grinding the rake surfaces and the center of the point and honing the edges. These actions are effectively a re-creation of the patented invention after it is spent.

This is not a case where it is clear that the patented device has a useful life much longer than that of certain parts which wear out quickly. For example, in Wilson v. Simpson, 50 U.S. (9 How.) 109, 125-26 (1850), in determining that a repair had occurred, the Supreme Court focused specifically on the fact that the machine was designed so that the knives had to be replaced long before the other components:

> The proof in the case, is, that one of [the patentee's] machines, properly made, will last in use for several years, but that its cutting-knives will wear out and must be replaced at least every sixty or ninety days.
>
> ...
>
> [if such a] part of the combination is meant to be only temporary in the use of the whole, and to be frequently replaced, because it will not last as long as the other parts of the combination, its inventor cannot complain.

50 U.S. (9 How.) at 125-26. See also Aro I, 365 U.S. at 337-38 (noting that the fabric had a much shorter expected life (about three years) than the convertible car top); Porter v. Farmer Supply Serv., Inc., 790 F.2d 882, 883, 229 USPQ 814, 814 (Fed. Cir. 1986) ("The useful life of a disk is measured in weeks, that of a harvester is five or six years. The district court found, and it is undisputed, that a purchaser can expect to wear out many disks during the useful life of the header.").

The drill tip in this case is not a part like the detachable knives in the Wilson that have to be replaced periodically over the useful life of the planing machine. The drill tip was not manufactured to be a replaceable part, although it could be resharpened a number of times to extend its life. It was not intended or expected to have a life of temporary duration in comparison to the drill shank. And finally, the tip was not attached to the shank in a manner to be easily detachable.

In Aro I, the Supreme Court also noted that "the consequent demand for replacement fabrics has given rise to a substantial industry." Evidence of development in the industry could also be a factor tending to prove that there is a reasonable expectation that the part of the patented combination wears out quickly and requires frequent replacement. See also Kendall Co. v. Progressive Medical Tech., Inc., 85 F.3d 1570, 1572, 38 USPQ2d 1917, 1919 (Fed. Cir. 1996) ("The resulting market for replacement sleeves has been substantial."); Sage Prods., 45 F.3d at 1577, 33 USPQ2d at 1766 (noting that "[t]he sale of replacement inner containers is a sizable market."). In this case, there is no evidence of a substantial market for drill retipping of the sort required for the Sandvik drill. There is no evidence of large numbers of customers retipping these drills or of companies (other than E.J.) offering to retip these drills. No one manufactures replacement tips for Sandvik's drill and although some customers opt to retip the drill only a small percentage of all drills manufactured are retipped.

Finally, there was no intent evidenced by the patentee that would support E.J.'s argument that replacement of the tips is a repair. See Kendall Co., 85 F.3d at 1575, 38 USPQ2d at 1921 (replacing the sleeve in a medical device which applies pressure to patients' limbs was a repair noting that the manufacturer "clearly intended to permit its customers to replace the sleeves" and actually sold replacement sleeves); Sage Prods., 45 F.3d at 1578-79, 33 USPQ2d at 1767-68 (evidence that patentee intended the inner containers to be replaced, that it manufactures replacement parts and instructs customers to replace supports holding such replacement a permissible repair); Porter, 790 F.2d at 885-86, 229 USPQ at 816-17 (considering that the patentee sold replacement cutting disks for its tomato harvester). The evidence shows that Sandvik never intended for its drills to be retipped. It did not manufacture or sell replacement drill tips. It did not publish instructions on how to retip its patented drills or suggest that the drills could or should be retipped. Sandvik was aware that the drill tip would need occasional resharpening and instructed its customer on

how to resharpen the tip, There is, therefore, no objective evidence that Sandvik's drill tip was intended to be a replaceable part. Although the repair or reconstruction issue does not turn on the intention of the patentee alone, the fact that no replacement drill tips have ever been made or sold by the patentee is consistent with the conclusion that replacement of the carbide tip is not a permissible repair.

Although there is no bright-line test for determining whether reconstruction or repair has occurred, we conclude based on all of the facts in this case that E.J. is reconstructing an otherwise spent device when it retips Sandvik's drills. Accordingly, we hold that E.J.'s drill tip replacements infringe the '690 and '162 patents. Because there are no disputed issues of fact, we reverse the district court grant of summary judgment.

REVERSED

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

97-1168

SANDVIK AKTIEBOLAG,
Plaintff-Appellant,

V.

E.J. COMPANY, VIRA HAYES and ROBERT HAYES,
Defendants-Appellees.

ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLEE, and a response thereto having been invited by the court and filed by the APPELLANT, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on October 23, 1997.

FOR THE COURT,
JAN HORBALY, CLERK

Dated: October 16, 1997

By /s/
Alex Van Veen
Staff Law Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

ORDER

Presently pending before the Court is Defendants' Second Motion for Summary Judgment (Docket Entry No. 41), to which Plaintiff has failed to respond. For the reasons discussed in the Memorandum contemporaneously entered herewith, Defendants' Motion for Summary Judgment is GRANTED and this case is hereby DISMISSED.

It is so ORDERED.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

MEMORANDUM

Presently pending before the Court is Defendants' Second Motion for Summary Judgment, to which Plaintiff has failed to respond. For the reasons stated herein, Defendants, Motion for Summary Judgment is GRANTED.

Plaintiff filed this action alleging that: (1) Defendants infringed upon its patent rights by replacing the carbide tip of the drill on which it held a patent; and (2) Defendants engaged in unfair competition in marketing the drill. On September 1, 1995, Defendants filed a Motion for Summary Judgment (Docket Entry No. 17) arguing that Count I of the Complaint, Plaintiff's infringement claim, should be dismissed because the replacement of the carbide tip is merely the repair of an unpatented part of a patented product and, therefore, does not constitute infringement. Defendants asserted that Count II, Plaintiff's unfair competition claim, should likewise be dismissed because Plaintiff made no allegation of misrepresentation in commercial advertising or interstate commerce as required by 15 U.S.C. 5 1125(a)(1)(B). In an Order entered on January 22, 1996 (Docket Entry No. 30), the Court granted summary judgment in favor

of Defendants with respect to Plaintiff's patent infringement claim based on a finding that Defendants' actions constitute repair of the drill and thus do not constitute patent infringement. The Court denied Defendants' Motion with respect to the unfair competition claim based on a finding that the Motion was premature as the parties had not yet had adequate time to conduct discovery on the issue. Defendants have now filed a Second Motion for Summary Judgment requesting that the Court dismiss the remaining unfair competition claim.

In ruling on a motion for summary judgment, this Court must construe the evidence produced in the light most favorable to the non-moving party, drawing all justifiable inferences in his or her favor. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). A party may obtain summary judgment if the evidentiary material on file shows "that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56 (c). The moving party bears the burden of satisfying the court that the standards of Rule 56 have been met. See Martin v. Kelley, 803 F.2d 236, 239 n.4 (6th Cir. 1986). The ultimate question to be addressed is whether there exists any genuine issue of material fact which is disputed. See Anderson v. Liberty Lobby Inc., 477 U.S. at 248. If so, summary judgment dismissal is inappropriate.

In Count II, Plaintiff asserts an unfair competition claim pursuant to 15 U.S.C. S 1125(a). The Complaint reads as follows:

> 3. Defendants have competed unfairly with Plaintiff by manufacturing, selling and offering for sale a product that includes reconstructed cutting inserts which incorporate the patented cutting edge geometry of U.S. Patent Nos. 4,222,690 and 4,381,162. The offer and/or sale of such a reconstructed patented combinations (which is not offered by Plaintiff) erodes the market for new, patented drills from Plaintiff and constitutes an act of unfair competition since the cost of the reconstructed

drills offered by Defendants is significantly less than the cost of a new drill from Plaintiff.

4. Defendants have caused and [continue] to cause adverse reaction by consumers and, on information and belief, have misled consumers as to the nature, characteristics, and qualities of their goods as equivalent to or readily substitutable for the original patented drills manufactured and sold by Plaintiff.

Defendants assert that the unfair competition claims as articulated in paragraph 3 of the Complaint should be dismissed because such a claim is premised on a finding that Defendants, actions constitute impermissible reconstruction, a finding contrary to this Court's ruling on Defendants' prior Motion for Summary Judgment. The Court agrees. As stated by this Court in its Memorandum entered on January 22, 1996 (Docket Entry No. 31), which accompanied the Order granting Defendants' Motion for Summary Judgment on Count I, "[t]o the extent that Plaintiff Is claim of unfair competition is based on Defendants' action in 'reconstructing' the carbide tip of the drill, the Court's ruling today that Defendants' actions constitute permissible repair prohibits Plaintiff from asserting a claim of unfair competition." It is clear that the relief sought in paragraph 3 is premised on a finding that Defendants' actions constitute impermissible reconstruction. As the Court has explicitly held otherwise, the Court finds that this claim should be dismissed.

Defendants contend that the unfair competition claim as articulated in paragraph 4 should likewise be dismissed because Plaintiff failed to provide any evidence that Defendants violated 15 U.S.C. 5 1125(a). Section 1125(a) provides that:

(1) Any person who, on or in connection with any goods or services or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation

> of original, false or misleading description of fact, or false or misleading representation of fact, which --
>
> > (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
> >
> > (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, of commercial activities
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. 5 1125 (a). At the outset, the Court notes that, as Plaintiff has failed to respond to Defendants' Motion, it has provided no evidence that Defendants have violated Section 1125 (a). As Plaintiff has provided no evidence that Defendants have engaged in unfair competition, Plaintiff has failed to raise a genuine issue of material fact and Defendants are entitled to judgment on this issue as a matter of law. While Plaintiff has not disputed that its unfair competition claim should be dismissed in the context of the pending motion, the Court has nevertheless reviewed Plaintiff's arguments in support of this claim in the context of its Memorandum in opposition to Defendants' Motion for Summary Judgment and Attorney's Fees (Docket Entry No. 24) which was filed in response to Defendants' original Motion for Summary Judgment. In that Memorandum, Plaintiff argues that Defendants engaged in unfair competition as defined in Section 1125(a) because of their use of Plaintiff's

trademarks in advertisements. The Court has examined the advertisements which use Plaintiff's trademark and it is clear that the trademark is being used in order to advertise that Defendants repair Plaintiff's product.[1] Use of a trademark in order to advertise repair where the advertisement merely describes those products which can be repaired is permissible use of that trademark. Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350, 351 (9th Cir. 1969) (holding that, while an automobile repair business cannot advertise in a manner which is likely to suggest that it is part of Volkswagen's organization, it may use Volkswagen's trademark in order to advertise that it repairs such vehicles). As such, the Court finds that Plaintiff's claim of unfair competition under Section 1125(a) should be dismissed.

For the foregoing reasons, Defendants' Motion for Summary Judgment is GRANTED and this case is hereby DISMISSED in its entirety.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

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[1]The Court notes that the advertisements were submitted by Defendants, and not by Plaintiff, and as such, may not be fully representative of the allegedly offending advertisements. As Plaintiff failed to respond to Defendants' Motion, however, the Court is limited to examining these documents.

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

ORDER

Pending before the Court is Plaintiff's Request for Reconsideration (Docket Entry No. 35), to which the Defendant has responded. Plaintiff requests the Court to reconsider its Memorandum and Order dated January 22, 1996, in which the Court granted Defendant summary judgment on Plaintiff's claim of patent infringement, finding that Defendant's actions constituted permissible repair rather than impermissible reconstruction. For the reasons stated in the accompanying Memorandum, Plaintiff's Request for Reconsideration is hereby DENIED. Accordingly, this case will proceed as scheduled.

It is so ORDERED.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

MEMORANDUM

Pending before the Court is Plaintiff's Request for Reconsideration (Docket Entry No. 35), to which Defendant has responded. Plaintiff requests the Court to reconsider its Memorandum and Order dated January 22, 1996, in which the Court granted Defendant summary judgment on Plaintiff's claim of patent infringement, finding that Defendant's actions constituted permissible repair rather than impermissible reconstruction.

In its Request,, Plaintiff asserts that "the Court has created a new test for determining when an integral material may be considered a 'part' for the purposes [of] distinguishing 'repair', from 'reconstruction.'" Plaintiff suggests that this test is too stringent or its application in this case raises fact issues that would preclude summary judgment. Plaintiff further argues that the Court has incorrectly concluded that Defendant's actions in reinserting, and sculpting a new carbide tip constitute a replacement of the part. It contends that even if the carbide tip is viewed as a part, Defendant's actions in sculpting a new tip constitute impermissible reconstruction. Plaintiff points to the fact that because the drill as a whole is spent once the tip is no

longer usable, Defendant's actions in replacing the tip constitute impermissible reconstruction as it has in effect made a new drill. Next, Plaintiff complains that the Court's Memorandum does not address its summary judgment argument on estoppel. Plaintiff states that although resolution of this issue may not be necessary given the Court's decision on the "repair vs. reconstruction" issue, the issue of estoppel should be addressed to avoid piecemeal litigation in the event that Defendant successfully appeals this case to the United States Court of Appeals for the Federal Circuit. Finally, Plaintiff complains that the Court misconstrued some of its arguments in its previous filings.

After reviewing Plaintiff's Request and the Memorandum and Order dated January 22, 1996, the Court is of the opinion that despite Plaintiff's assertions, the Court's conclusion that Defendant's conduct constitutes permissible repair is correct. The Court further finds that it is unnecessary to address Plaintiff's argument regarding estoppel as that issue in now moot. Finally, although a review of Plaintiff's earlier filings suggests that the Court has not misconstrued Plaintiff's arguments, Plaintiff's characterization of its arguments in its Request do nothing to change the Courts ruling that Defendant's actions constitute permissible repair.

In its Request, Plaintiff first argues that "the Court has created a new test for determining when an integral material may be considered a 'part' for the purposes [of] distinguishing 'repair" from 'reconstruction.' " Plaintiff suggests that this test is too stringent or its application in this case raises fact issues that would preclude summary judgment. A determination as to whether the carbide tip of the drill constitutes a "part" rather than an "ingredient" of the drill is significant because Plaintiff's patent protects the drill as a whole. If the carbide tip is an ingredient of the drill, it is protected as well; however, if the tip is a part of the drill, Plaintiff's patent protects the combination of unpatented parts, and the tip is merely an unpatented part of a patented product. In that case,, the tip may be repaired or replaced in any manner because the tip itself is not patented.

In support of its argument, Plaintiff relies on several cases decided prior to the Supreme Court's holding in Aro Mfg. Co. v. Convertible Top Replacement Co. ("Aro I"), 365 U.S. 336 (1961). See Williams v. Hughes Tool Co., 186 F.2d 278 (10th Cir. 1950); Hughes Tool Co. v. Owen, 123 F.2d 950 (5th Cir. 1941); Southwestern Tool Co. v. Hughes Tool Co., 98 F.2d 42 (10th Cir. 1938); Monroe Auto Equip. Co. v. Precision Rebuilders, Inc., 229 F. Supp. 347 (D.C. Kan. 1964); Hughes Tool Co. v. United Machine Co., 35 F.Supp. 879 (N.D. Tax. 1939). Plaintiff complains that the Court's Memorandum has eschewed the tests applied in these cases in favor of a new test created by the Court. The test applied by this Court in its Memorandum, however, is far from new, although the facts to which it was applied are novel; it is the test announced by the Supreme Court in Aro I. In Aro I, the Court stated, "No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement may be." Aro I, 365 U.S. at 345. Thus, the Court held "that maintenance of the 'use of the whole' of the patented combination through replacement of a spent, unpatented element does not constitute reconstruction." Id. The cases relied upon by Plaintiff for the proposition that the Court has created a now test do not follow this line of reasoning. For the reasons stated in its Memorandum entered on January 22, 1996, the Court finds that its conclusion that the carbide tip constitutes a part of the drill, thereby allowing for replacement of the tip without infringing upon Plaintiff's patent, is consistent with the Supreme Court's holding in Aro I, in which the Court held that replacement of a convertible top fabric did not violate the patent hold on a convertible folding top that included a flexible top fabric, supporting structures, and a mechanism by which the fabric sealed against the side of the body of the car.

Plaintiff also argues that application of this test raises fact issues that would preclude summary judgment. Specifically, Plaintiff contends that the issue of whether the brazing process by which the

carbide tip is connected to the steel shaft of the drill renders the two elements indistinguishable constitutes a disputed material fact precluding summary judgment. The Court finds, however, that the facts of this case, i.e. the process by which the two materials are joined, are not in dispute. Whether or not this process renders the carbide tip a "part" or an "ingredient" is a question for the Court. Accordingly, summary judgment is appropriate in this case.

Plaintiff also relies on the following language in Aro I to support its contention that replacement of the carbide tip constitutes reconstruction of the drill because the drill as a whole is spent if the carbide tip is unusable:

> We hold that the maintenance of the 'use of the whole' of the patented combination through the replacement of a spent, unpatentable element does not constitute reconstruction.
>
> The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' . . . after the entity, viewed as a whole, has become spent.

Id. at 346 (citation omitted). Plaintiff apparently contends that because the drill as a whole is no longer useful if the carbide tip is worn or damaged, any replacement of the tip would constitute impermissible reconstruction. This argument is without merit. Simply because a part that is essential to the use of a product is no longer functioning properly, thus rendering the product as a whole useless, does not mean that replacement of that part constitutes impermissible reconstruction. Certainly, one would maintain that a workable convertible top fabric is necessary to the proper functioning of a convertible top as a whole. Nonetheless, the Court in Aro I held that replacement of that convertible top fabric constitutes permissible repair of a part rather than impermissible reconstruction. Likewise, in the present case, simply because the carbide tip is essential to the proper functioning of

the drill does not mean that replacement of that tip amounts to impermissible reconstruction.

Plaintiff also complains that the Court's Memorandum does not address the issue of estoppel. Entry of summary judgment for Defendant, however, has rendered Defendant's estoppel defense moot. Therefore, it was unnecessary for the Court to address that issue in its Memorandum. Judicial economy dictates that the Court address that issue only should it become necessary by reason of remand.

Finally, Plaintiff has argued that the Court mischaracterized some of its arguments. First, Plaintiff asserts that the Court misattributed to it a contention that the patents protect only the carbide tip rather than the entire drill. A review of Plaintiff's Memorandum in Opposition to Defendant's Motion for Summary Judgment and Attorney Fees Under 35 U.S.C. § 285, however, reveals, that Plaintiff has made this very contention. It states:

> E.J. argues that "what is claimed is not the cutting edges alone, but a drill comprising a combination of elements which includes features of both the cutting edge insert and the supporting shaft . . . ." Yet, the claim says nothing about which shapes are rendered in steel and which rendered in carbide. In fact, all of the recited geometries are carbide. These are the cutting edges, the rake faces, and the means defining a cavity. The twisted grooves are carbide and steel and are recited merely as a point of reference.

(Docket Entry No. 24, p. 6). Thus, at the very least, it can be said that Plaintiff has suggested that its patent claim covers only the elements of the drill that are rendered solely in carbide, i.e. the elements that make up the tip.

Next, Plaintiff argues that the Court mischaracterized its contentions regarding the preambles and bodies of the patents at issue. Apparently, Plaintiff complains about the Court's failure to specify that it was referring to the preambles and bodies of the claims of the

patents, rather than the patents themselves. To the extent that the Memorandum uses the term "patent," the Court agrees with Plaintiff that use of the term "claims" would have been more precise. However, the meaning of the Memorandum remains the same and is clear regardless of which term is used. Thus, amendment of the Memorandum is unnecessary. Furthermore, even if the Court had misattributed these arguments to Plaintiff, it would not affect the Court's finding that Defendant's actions constituted permissible repair rather than impermissible reconstruction.

For the foregoing reasons, Plaintiff's Request for Reconsideration is hereby DENIED. Accordingly, this case will proceed as scheduled.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

ORDER

Pending before the Court are the following: (1) Defendants' Motion for Summary Judgment and for Attorney Fees (Docket Entry No. 17), to which Plaintiff has responded; and (2) Plaintiff's Motion for Summary Judgment (Docket Entry No. 21), to which Defendant has responded.

Plaintiff filed this action, alleging that (1) Defendants infringed upon its patent rights by replacing the carbide tip of the drill on which it held a patent, and (2) Defendants engaged in unfair competition in marketing the drill. Defendants filed their motion for Summary Judgment, arguing that the replacement of the carbide tip is merely the repair of an unpatented part of a patented product and, therefore, does not constitute infringement. Plaintiff responded, contending that Defendants' actions constitute an impermissible reconstruction of the drill rather than a mere repair. Plaintiff has also filed a Motion for Summary Judgment, arguing that Defendants' actions clearly constitute reconstruction of its patented drill, thereby infringing upon Plaintiff's patent. For the reasons stated in the accompanying Memorandum, the Court finds that Defendants' actions constitute repair of the drill and thus do not constitute patent

infringement. With respect to Plaintiff's claim of unfair competition, the Court finds that Defendants' Motion is premature as the parties have not had adequate time to conduct discovery on this issue. Finally, the Court holds that granting attorneys, fees to Defendants is inappropriate because Plaintiff's claim is not clearly baseless such that this case should be considered exceptional.

Accordingly, Defendants' Motion for Summary Judgment is hereby GRANTED IN PART and DENIED IN PART, Defendants' Motion for Attorneys' Fees is hereby DENIED, and Plaintiff's Motion for Summary Judgment is hereby DENIED. This case will proceed with Plaintiff's claim of unfair competition under 15 U.S.C. § 1125.

This case is hereby returned to the Magistrate Judge for further case management pursuant to Local Rule 11.

It is so ORDERED.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION

SANDVIK AKTIEBOLAG,	)	
	)	
Plaintiff,	)	
	)	
v.	)	No. 3-94-1076
	)	JUDGE ECHOLS
E.J. COMPANY, et al.,	)	
	)	
Defendants.	)	

MEMORANDUM

Pending before the Court are Defendants' Motion for Summary Judgment and for Attorney Fees, to which Plaintiff has responded, and Plaintiff's Motion for Summary Judgment, to which Defendant has responded. Plaintiff filed this action, alleging that (1) Defendants infringed upon its patent rights by replacing the carbide tip of the drill on which it held a patent, and (2) Defendants engaged in unfair competition in marketing the drill. Defendants filed their Motion for Summary Judgment, arguing that the replacement of the carbide tip is merely the repair of an unpatented part of a patented product and, therefore, does not constitute infringement. Plaintiff responded, contending that Defendants' actions constitute an impermissible reconstruction of the drill rather than a mere repair. Plaintiff has also filed a Motion for Summary Judgment, arguing that Defendants' actions clearly constitute reconstruction of its patented drill, thereby infringing upon Plaintiff's patent. For the reasons stated herein, the Court finds that Defendants' actions constitute repair of the drill and thus do not constitute patent infringement. With respect to Plaintiff's claim of unfair competition, the Court finds that

Defendants' Motion is premature as the parties have not had adequate time to conduct discovery on this issue. Finally, the Court holds that granting attorneys' fees to Defendants is inappropriate because Plaintiff's claim is not clearly baseless such that this case should be considered exceptional. Accordingly, Defendants' Motion for Summary Judgment is hereby GRANTED IN PART and DENIED IN PART, Defendants' Motion for Attorneys' Fees is hereby DENIED, and Plaintiff's Motion for Summary Judgment is hereby DENIED.

Plaintiff filed this suit asserting infringement of U.S. Letters Patent No. 4,222,690 and U.S. Letters Patent No. 4,381,162, as well as unfair competition. Plaintiff is a licensee of the patents held on the drill. Both of the patents-in-suit generally relate to a drill made up of two different materials, medium carbon steel for the shank and carbide for the cutting tip. The carbide tip of the drill is soldered in place using a hard solder having a relatively high melting point. The drill is described in both patents as follows:

> A drill comprising a pair of cutting edges extending from the center of rotation of the drill symmetrically with respect to the center and curved outwardly away from the direction of rotation of the drill with a greater curvature in the center portion than in the outer peripheral portion of the drill when seen in a bottom view. The cutting edge is formed, close to its starting end, with a rake face having a rake angle approximately to zero to enable the starting end portion of the edge to cut a workpiece with greater ease.

(Docket Entry No. 18, Exhibits A & B).

It is Plaintiff's contention that Defendants' actions in retipping the drills manufactured by Plaintiff constitute an infringement of these patents and unfair competition. The commercial configuration of this drill consists of a carbide tip insert that is mounted in a slot in the steel shank of the drill and bonded to the shank by brazing. The carbide tip of the drill generally wears out long before the steel shank; therefore,

it must be sharpened. However, at some point, the carbide tip may become too badly worn or damaged to permit resharpening. Various companies, including Defendant E.J. Company, offer services which include retipping of drills. In the retipping process, the distal end of the drill is heated using an acetylene torch to melt the brazing material, and the worn tip insert is removed from the shank. A replacement tip insert is then secured in the slot of the original drill shank by brazing. After the drill has cooled, the tip insert is ground to the proper diameter utilizing a conventional grinding machine. Defendants assert that they then shape the tip using the sharpening instructions published by Plaintiff.

In their cross-motions for summary judgment, both parties agree that no material fact is in dispute, and thus, this case is ripe for summary judgment. The parties do not dispute the facts relating to Defendants' actions in retipping the drills manufactured by Plaintiff. Rather, the parties' central dispute is whether Defendants, actions constitute a permissible repair and replacement of an unpatented element of the patented product or an impermissible reconstruction of the patented product.

In ruling on a motion for summary judgment, this Court must construe the evidence produced in the light most favorable to the non-moving party, drawing all justifiable inferences in his or her favor. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 255 (1986). A party may obtain summary judgment if the evidentiary material on file shows "that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). The moving party bears the burden of satisfying the court that the standards of Rule 55 have been met. See Martin v. Kelley, 803 F.2d 236, 239 n.4 (6th Cir. 1986). The ultimate question to be addressed is whether there exists any genuine issue of material fact which is disputed. See Anderson v. Liberty Lobby, Inc., 477 U.S. at 248. If so, summary judgment dismissal is inappropriate.

Defendants assert that their actions constitute a repair of an unpatented part (the carbide tip) of a patented product (the drill).

Conversely, Plaintiff views the patented drill as a single entity, and Defendants, actions in replacing the carbide tip constitute the impermissible reconstruction of the drill. The Supreme Court discussed the distinction between the lawful repair and unlawful reconstruction in Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961) ("Aro I"). In Aro I, the plaintiff, which owned a patent on a convertible folding top that included a flexible top fabric, supporting structures, and a mechanism by which the fabric sealed against the side of the body of the car, brought an action for patent infringement against the defendant companies that manufactured and sold replacement fabrics for convertibles equipped with the plaintiff's patented device. The Court recognized it is well settled in patent law "that the combination patent covers only the totality of the elements in the claim and that no element, separately viewed, is within the grant. Id. at 344 (citations omitted). Therefore, it held that the defendants' actions in manufacturing and selling replacement fabrics did not constitute patent infringement because the plaintiff held a patent on the combination of elements, and thus, the patent was not infringed by the replacement of an individual, unpatented part. Id. at 345.

The Aro I Court further stated that "[n]o element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement maybe." Id. See also Mercoid Corp., v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680, 684 (1944). Thus, the Court held "that maintenance of the 'use of the whole' of the patented combination through replacement of a spent, unpatented element does not constitute reconstruction." Aro I, 365 U.S. at 345. Rather, reconstruction "is limited to such a true reconstruction of the entity as to 'in fact make a new article' after the entity, viewed as a whole, has become spent." Id. (citations omitted). Mere replacement of unpatented parts of a patented product is simply the lawful right of the owner to repair his property. Id.

Clearly, the Supreme Court has taken "an expansive view of conduct that constitutes permissible repair of a patented combination of unpatented elements." Sage Prods. v. Devon Indus., 45 F.3d 1575, 1578 (Fed. Cir. 1995). "The Court has thus 'eschewed the suggestion that the legal distinction between 'reconstruction' and 'repair' should be affected by whether the element of the combination that has been replaced is an 'essential' or 'distinguishing' part of the invention.'" Id. (quoting Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 217 (1980)).

In the present case, Plaintiff first contends that it is not the assignee of "combination patents." Rather, its patents protect only the carbide tip of the drill and not the entire drill, including the shank and the tip; therefore, Defendants have violated their patents by reconstructing the carbide.tip in the same patented geometric form.

The language of the patents belie this contention. While admitting that the preambles of the patents are directed to the entire drill, Plaintiff asserts that the body of the patents refer to the carbide tip alone. The bodies of U.S. Patent Letters Nos. 4,222,690 and 4,381,162, however, refer to figures diagramming both the steel shank and the carbide tip of the drill. In fact, both patent letters state:

> The drill shown in FIGS. 1 to 4 includes tips 1, a shank 2, twisted grooves 3 and a conical end having a center point 11 at the apex of the cone and a pair of cutting edges 10 extending from the center point 11 symmetrically with respect to the center point 11. Each of the tips 1 is made for example from cemented carbide alloy in the form of a plate and attached to the conical end of the shank 2 by brazing, or by bolt as a throw-away piece. Instead of attaching the separate tips to the shank 2, the tips may be formed integrally with the shank.

(Docket Entry No. 18, Exhibits A & B). Thus, it is clear from the language of the patents that they are intended to include not only the carbide tip of the drill but also the steel shaft and the drill as a whole.

Next, Plaintiff asserts that the drill is a single entity, and thus, once the tip is worn such that it can no longer be sharpened, the drill as a whole is spent; therefore, Defendants' actions in retipping the drill constitute an impermissible reconstruction of the drill as a whole. Thus, Plaintiff is essentially asserting that it does not hold a combination patent because the drill is not made up of a combination of parts. Conversely, Defendants maintain that the drill is made up of two separate parts--the carbide tip and the steel shaft--and thus, their actions in replacing the carbide tip of the patented drill constitute replacement of only one part of the drill, which is permissible repair. See Porter v. Farmers Supply Serv., 790 F.2d 882, 886 (Fed. Cir. 1986) (holding that replacement of a worn part in a patented combination constitutes repair rather than reconstruction).

In its attempt to characterize Defendants' actions as reconstruction rather than repair, Plaintiff urges that carbide is merely a material used to produce the drill rather than a particular part of the drill. To support its proposition that carbide is merely a material used to produce a single entity, Plaintiff highlights the fact that Defendants must use an acetylene torch producing heat of 1300 degrees Fahrenheit to remove the carbide tip. Thus, Plaintiff argues that the present case is distinguishable from those cases relied upon by Defendants for the proposition that replacement of an individual part constitutes repair. It is true that the cases relied upon by Defendants concern products with parts that are readily distinguishable and easily detachable. See Aro I, 365 U.S. 336 (convertible top consisting of the metal framework, mounting hardware, tonneau, and fabric covering); Sage Prods., 45 F.3d 1575 (waste disposal system comprising an outer enclosure and a removable inner container); King Instrument Corp. v. Otari Corp., 814 F.2d 1560 (Fed. Cir. 1987) (automatic device for loading tape into closed cassettes); Wahpeton Canvas Co. v. Bremer, 893 F. Supp. 863 (N.D. Iowa 1995) (roll-up tarp unit consisting of a number of parts) , appeal denied, 64 F.3d 671 (Fed. Cir. 1995). As the Supreme Court noted in Aro I, however, the cost or difficulty of

replacement has no bearing on the determination as to whether an action constitutes repair or reconstruction. Aro I, 365 U.S. at 345.

In characterizing carbide as a material used to make up a single entity, one may analogize the carbide tip to an ingredient in a recipe. After the recipe is complete, the ingredient no longer retains its original character. Unlike the recipe ingredient, however, the carbide tip does not mix with another substance to form a new metal alloy. Although it may be difficult to remove, it retains its original character and thus may be considered a part for purposes of determining whether Defendants' actions constitute repair or reconstruction. The Court's decision characterizing the carbide tip as a part is consistent with the Supreme Court's expansive view of conduct that constitutes permissible repair. See Sage Prods., 45 F.3d at 1578. Accordingly, the Court finds that Plaintiff cannot sustain its claims of patent infringement.[1]

Plaintiff has asserted a second cause of action under 15 U.S.C. § 1125(a) for unfair competition. Plaintiff alleges that Defendants have unfairly competed by "manufacturing, selling and offering for sale a product that includes reconstructed cutting inserts which incorporate the patented cutting edge geometry of U.S. Patent Nos. 4,222,690 and 4,381,162." (Complaint, Docket Entry No. 1). To the extent that Plaintiff's claim of unfair competition is based on Defendants, actions in "reconstructing" the carbide tip of the drill, the Court's ruling today that Defendants' actions constitute permissible repair prohibit Plaintiff from asserting a claim of unfair competition.

In its Complaint, Plaintiff also alleges that Defendants have engaged in unfair competition because they have "caused and continues [sic] to cause adverse reaction by consumers and, on information and belief, have misled consumers as to the nature,

---

[1]As the Court has found that Plaintiff cannot sustain its claims of patent infringement, any claim dependent upon the independent claims of patent infringement must also be denied. Wahpeton Canvas Co. v. Frontier, Inc., 870 F.2d 1546, 1553 (Fed. Cir. 1989).

characteristics, and qualities of their goods as equivalent to or readily substitutable for the original patented drills manufactured and sold by Plaintiff." (Complaint, Docket Entry No. 1). Defendants insist that this claim must be dismissed because Plaintiff has made no allegation as to misrepresentation in commercial advertising or interstate commerce as required by 15 U.S.C. §1125(a)(1)(B). Plaintiff responds that with respect to the claim for unfair competition, Defendants, motion is premature. Plaintiff notes that discovery in this case has been limited to the issues of repair versus reconstruction and estoppel. Other than Defendant E.J. Company's advertisements that use Plaintiff's trademark, Plaintiff complains that it has had no opportunity to discover what Defendants have communicated to their customers that may create confusion as to the origin, sponsorship, or approval of Defendants' drills.

After a review of the filings submitted to the Court, it is apparent that the discovery in this case thus far has been limited to the issues of repair versus reconstruction and estoppel. Consequently, the Court must deny Defendants' Motion for Summary Judgment with regard to Plaintiff's claim of unfair competition to permit Plaintiff more time to discover information that may support its claim.

Finally, Defendants have moved for attorneys' fees under 35 U.S.C. § 285, which allows the district court to award attorneys' fees to the prevailing party in exceptional patent cases. The filing and maintaining of a patent infringement suit that the patentee knows or clearly should know is baseless constitutes grounds for declaring a case "exceptional" under 35 U.S.C. § 285. Eltech Sys. Corp. v. PPG Indus., 903 F.2d 805, 810 (Fed. Cir. 1990). Once the court finds a case to be "exceptional," it is within the court's discretion to award attorneys' fees to the prevailing party. Id. at 811.

The Court does not find the present case to be "exceptional" under 35 U.S.C. § 285. There is no evidence that Plaintiff knew that his present cause of action was baseless. Indeed, there is little precedent regarding the distinction between repair and reconstruction to guide the parties, as well as the courts. See Wahpeton Canvas, 893

F. Supp. at 869 (noting the difficulty of distinguishing between repair and reconstruction). In fact, the parties submitted no case addressing the issue before the Court regarding the distinction between an indistinguishable material element of a patented product and an unpatented part of a patented product. Accordingly, the Court cannot find Plaintiff's patent infringement claim to be "exceptional." Furthermore, even if the Court were to find Plaintiff's claim to be exceptional, the cases relied upon by Defendants in support of their Motion for Attorneys' Fees involve conduct evincing bad faith on the part of the patentee. See Eltech Sys., 903 F.2d at 811 (discussing a myriad of abuses to the discovery process, including withholding relevant information); Hughes v. Novi American, Inc., 724 F.2d 122 (Fed. Cir. 1984) (plaintiff gave false answers to interrogatories); Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577 (7th Cir. 1981) (plaintiff committed a number of discovery abuses including refusing to produce test reports to substantiate charges, concealing suspicion that test data was tainted, and impeding discovery). As there is no evidence of such conduct evincing bad faith on the part of Plaintiff in the present case, the Court can find no basis for awarding attorneys' fees under 35 U.S.C. § 285.

For the foregoing reasons, Defendants' Motion for Summary Judgment is hereby GRANTED IN PART and DENIED IN PART, Defendants' Motion for Attorneys' Fees is hereby DENIED, and Plaintiff's Motion for Summary Judgment is hereby DENIED. This case will proceed with Plaintiff's claim of unfair competition under 15 U.S.C. § 1125.

/s/
ROBERT L. ECHOLS
UNITED STATES DISTRICT JUDGE

Supreme Court, U.S.
F I L E D
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CLERK

No. 97-1177

In The

Supreme Court of the United States

October Term, 1997

E.J. COMPANY, VIRA HAYES and ROBERT HAYES,

Petitioners,

v.

SANDVIK AKTIEBOLAG,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether the decision below properly concluded that the activities at issue constitute impermissible reconstruction of the patented invention, where those activities in fact make a new article, after the patented entity as a whole has become spent, and thereby re-create the patented invention from scrap?

PARTIES TO THE PROCEEDING

The petition accurately identifies the parties to the proceeding as those appearing in the caption.

Pursuant to Rule 29.6, respondent Sandvik Aktiebolag states that it has no parent corporation and identifies Seco Tools Aktiebolag as a majority-owned subsidiary.

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STATEMENT OF THE CASE

This case involves a patented drill having a unique tip geometry. The geometry is known in the industry as the "Hosoi" geometry, named after its inventor, and is embodied in a commercially available drill, sold under the Sandvik Coromant Delta brand name. The drill is covered by U.S. Patent No. 4,222,690 (the '690 patent) and U.S. Patent No. 4,381,162 (the '162 patent), which are the patents in suit. [App. 35a - 50a].

The patents in suit are generally directed to a drill with a shank portion and a specific carbide tip geometry that has specially configured cutting edges and that result in a drill suitable for high-feed machining with improved cutting ability, especially at its center portion. Claim 1 of the '690 patent, for example, claims a drill which has a pair of cutting edges, each having a greater curvature in the radial inner portion than in the outer peripheral portion of the drill, and each being formed with a rake face having a rake angle approximately equal to zero at the radial inner portion of the rake face. The claimed drill further includes twisted grooves and means defining a cavity formed in the twisted grooves close to the starting end of each of the cutting edges. The '162 patent describes and claims similar subject matter. There is no dispute that the patents in suit cover both the commercially available Sandvik drill at issue here, and the resultant drill produced by petitioners' activities with respect to the Sandvik drill.

The commercial embodiment of Sandvik's patented drill includes a shank that is made of medium carbon steel. The drill tip is made of a more durable carbide, which is brazed to the shank. Brazing is like soldering, but with a much higher melting point, and requires a temperature of 1300° F to join the

carbide tip to the steel shank. Although the carbide tip is very durable, over time and use, the drill tip dulls and may require resharpening. Resharpening, which is also known as regrinding, involves putting a new edge on the drill tip. Typically, the patented drill can cut through about 1,000 inches of material before resharpening is required, depending, of course, upon the hardness of the material being cut. Sandvik expects the drill tip to be resharpened and, in fact, issues guidelines explaining how to resharpen the tip so as to maintain the specially configured cutting edges. Sandvik does not contend that resharpening constitutes infringement.

Petitioner E.J. provides its customers with a service in which it offers not only to resharpen worn Sandvik drills, but also to retip those drills that are too worn or broken to be resharpened. Thus, when a drill tip has chipped, cracked or simply wore down after being resharpened several times, E.J. offers to retip the drill. E.J., however, admits that some of its customers elect not to have the drill retipped and, instead, request that E.J. simply discard the used drill. In such instances, E.J. complies with the request and discards the drill. It is undisputed that the drill has reached the end of its useful life when it cannot be resharpened, unless it is retipped. No one, other than E.J., retips Sandvik's patented drills.

E.J.'s retipping process involves removing the worn or damaged tip by heating it to 1300° F using an acetylene torch to melt the braze and thus loosen the carbide tip. E.J. then brazes in a rectangular piece of new carbide onto the drill shank. After the piece of carbide has cooled, E.J. re-creates the same geometry of the cutting edges found in a new Sandvik drill by machining, grinding and honing the carbide. This process includes: (1) grinding the carbide to the proper outside diameter; (2) grinding the carbide to a point; (3) grinding the

rake surfaces of the new point; (4) grinding the center of the new point; and (5) honing the edges. Subsequently, E.J. re-creates the cutting edges by following Sandvik's instructions for tip resharpening.

Sandvik claims that E.J.'s retipping service constitutes an infringing reconstruction of its patented drills. Sandvik does not manufacture or sell replacement drill tips. Sandvik also does not offer any of its own retipping services for the patented drills and does not publish any instructions on how to retip the drills. Instead, Sandvik contends that it never intended for the drills to be retipped. E.J. contends that its retipping service is a lawful repair of the patented drills.

On December 7, 1994, Sandvik filed a patent infringement suit in the United States District Court for the Middle District of Tennessee, claiming that E.J.'s retipping service was an impermissible reconstruction of the patented drills and that E.J.'s actions, therefore, constituted an infringement of the '690 and '162 patents. On summary judgment, the district court held that E.J.'s retipping activities constituted a permissible repair, not an infringing reconstruction, and dismissed the case on November 7, 1996. Sandvik appealed the district court's summary judgment to the Federal Circuit. On August 6, 1997, the Federal Circuit reversed and concluded that E.J.'s activities resulted in infringing reconstruction. The Federal Circuit denied E.J.'s Petition for Rehearing and Suggestion for Rehearing In Banc on October 16, 1997, and elected not to reconsider its decision. The instant petition seeks review of the Federal Circuit's decision to reverse the district court's summary judgment.

REASONS FOR DENYING THE WRIT

The decision below is plainly a proper application of settled law, and there is no conflict with this Court's precedent. In attempting to curry review, the petition portrays the Federal Circuit's opinion as overlooking this Court's precedent and creating a new test. This portrayal is flatly contrary to the opinion itself and distorts the underlying analysis.

The petition misleadingly dissects the opinion below, ignores the totality of the circumstances and instead focuses on isolated portions of the opinion, which in turn are mischaracterized as being of "great" or "considerable" weight in the Federal Circuit's analysis. This does not provide any cause for review. The case was decided on its own facts and circumstances and, contrary to the allegations in the petition, does not result in any far reaching consequences. This Court should, therefore, deny review.

I. There is no conflict with this Court's precedent

In *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (*Aro I*), this Court held that replacement of unpatented fabric in a patented convertible top mechanism was permissible repair, not impermissible reconstruction. In reaching this result, this Court clarified the type of conduct that constitutes infringing reconstruction:

> The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to "in fact make a new article," after the entity, viewed as a whole, has become spent. In order to call the monopoly into play

> for a second time, it must, indeed, be a second creation of the patented entity.

Aro I, 365 U.S. at 346 (citations omitted). This Court has, therefore, made clear that the analysis requires a determination of whether a new article has, in fact, been made, so as to re-create the patented entity. Contrary to the petition's insinuations, this is precisely what the Federal Circuit did here.

As the opinion below indicates, the Federal Circuit scrutinized the facts and applied this Court's plain and practical test from *Aro I* in concluding that E.J.'s activities do, in fact, re-create the patented drill after it had become spent:

> By E.J.'s own admission, the drill is "spent" when the tip can no longer be resharpened unless it is retipped. In fact, the record reveals that E.J.'s customers may elect not to retip and inform E.J. to discard the drill instead.
>
> Moreover, the nature of the work done by E.J. shows that retipping is more like reconstruction than repair. E.J. does not attach a new part for a worn part, but rather must go through several steps to replace, configure and integrate the tip onto the shank. It has to break the worn or damaged tip from the shank by heating it to 1300 degrees Fahrenheit. It brazes to the shank a new rectangular block of carbide and grinds and machines it to the proper diameter and creates the point. Thereafter, the tip is honed and sharpened, grinding the rake surfaces and the center of the point and honing the edges. These actions are effectively a re-creation of the patented invention.

[App. 6a-7a].

Nevertheless, in dissecting the decision below, the petition completely ignores this portion of the Federal Circuit's analysis and leaves unrefuted the Federal Circuit's conclusion that E.J.'s activities make new drills from spent ones in accordance with *Aro I*. There is, however, no question that *Aro I* requires this conclusion. By heating the used carbide tip to 1300° Fahrenheit to remove it, brazing in a block of new rectangular carbide (which itself has no cutting edges), and subsequently machining, grinding and honing the carbide material to re-create the same geometry that is embodied in a new patented drill, E.J.'s activities do, in fact, make a new article from a spent one. In fact, to call these activities a "re-creation" is an understatement. It is a first creation of the drill's geometry on a primitive, rectangular block of carbide that never before bore even the suggestion of the point, rake surfaces or cutting edges that are embodied in a new Sandvik drill.

The Federal Circuit has properly scrutinized the facts and applied this Court's analysis from *Aro I*. The petition's skewed and piecemeal attack to the contrary does not merit review.

II. The petition misleadingly isolates portions of the Federal Circuit's analysis

Ignoring altogether the Federal Circuit's conclusion that E.J.'s activities re-create new drills from spent ones, the petition asks this Court to likewise ignore the totality of the circumstances and to instead consider individual issues in isolation. This alone is improper under *Aro I*. However, the peititon does not stop there. In an effort to peak this Court's interest, the petition further distorts the import of those isolated portions as being of "great" or "considerable" weight in the Federal Circuit's analysis. Those distortions are simply not true.

For example, E.J. contends that the Federal Circuit "placed great weight" on the relative life spans of the unpatented components and the patented combination. The opinion, however, never suggested that such evidence was of great weight in the analysis, and it was never treated as such. In fact, the Federal Circuit's reference to this issue was clearly to the contrary. The Federal Circuit merely sought to confirm that there was no additional facts or circumstances that would support a contrary conclusion of permissible repair. [App. 7a] (stating that "[t]his is not a case where it is clear that the patented device has a useful life much longer that that of certain parts which wear out quickly").

This approach is hardly surprising. Indeed, in *Aro I*, this Court compared the expected life spans of the unpatented fabric, on the one hand, and the patented convertible top mechanism, on the other, in an effort to determine whether a new device had been made. And, in *Wilson v. Simpson*, 50 U.S. (9 How.) 109, 126 (1850), this Court likewise compared the respective life spans of an unpatented part and the patented combination, as the Federal Circuit did here, stating that:

> [If a] part of the combination is meant to be only temporary in the use of the whole, and to be frequently replaced, because it will not last as long as the other parts of the combination, its inventor cannot complain.

Even the petition itself admits that the comparison of the respective life spans is not improper:

> [T]here may be circumstances where the fact that the unpatented element of a patented combination has a shorter life span than the rest of the combination is persuasive evidence that a certain activity is permissible repair. In this regard, the shorter life span may tend to show an expectation that replacement will be necessary.

[Pet. 13]. It was, therefore, entirely appropriate for the Federal Circuit to consider whether there was any evidence that the drill's carbide tip was meant to be temporary, as this Court did in *Aro I* and *Wilson*, and that consideration certainly does not warrant review.

The petition similarly seeks to dissect and take other isolated portions of the opinion out of context. For instance, E.J. contends that the Federal Circuit "placed great weight on its finding that there was no substantial market for drill retipping of the sort required for the Sandvik drill." [Pet. 14]. Again, however, there was no such emphasis.

Like the reference to the life spans of parts in a patented combination, the Federal Circuit sought to confirm that there was no evidence that would tend to support a contrary conclusion of permissible repair. The Federal Circuit simply noted that there was no evidence of a market for retipping Sandvik's patented drills, other than the services offered by E.J. It did so for good reason. It was following this Court's lead in *Aro I*, where this Court made reference to evidence of an industry for replacement parts. *See Aro I*, 365 U.S. at 338 (noting that "[t]he consequent demand for replacement fabrics

has given rise to a susbstantial industry"). Accordingly, this was likewise a proper consideration in the analysis, as the petition again concedes. [Pet. 14] (stating that "this is another factor which may be helpful in demonstrating that a particular activity should be viewed as permissible repair"). The petition's factbound claim to the contrary is not sufficient to trigger this Court's review.[1]

Continuing to take individual factors out of context, the petition further states that "the Federal Circuit placed considerable weight on its finding that '. . . there was no intent evidenced by the patentee that would support E.J.'s argument that replacement of the tips is repair.'" [Pet. 15]. Once again, there was no such weight placed on this factor, and its consideration is totally appropriate. In *American Cotton-Tie Co. v. Simmons*, 106 U.S. 89, 94 (1882) (emphasis added), this Court found infringing reconstruction, upon confirming that there was no contrary evidence of intent:

> The case is not like putting new cutters into a planing-machine, as in *Wilson v. Simpson*, 9 How. 109, in place of cutters worn out by use. The principle of that case was that temporary parts wearing out in a machine might be replaced to preserve the machine, *in accordance with the intention of the vendor*, without amounting to a reconstruction of the machine.

---

[1] E.J. contends that there is a market for retipping in general and that retipping is commonplace in the industry. [Pet. 5 and 14]. Such evidence is, however, not relevant to the patented drills at issue here, and the Federal Circuit recognized it as such. [App. 8a]. It is undisputed that no one, other than E.J., retips Sandvik's patented drills.

Thus, it was completely appropriate for the Federal Circuit to note that there was no objective evidence that the carbide tips were intended to be replaced, as this Court did in *American Cotton-Tie*. The Federal Circuit merely confirmed that this case was not like others that reached a conclusion of permissible repair. *See, e.g.*, *Sage Prods., Inc. v. Devon Indus., Inc.*, 45 F.3d 1575, 1578-79 (Fed. Cir. 1995) (finding objective evidence of intent to support conclusion of permissible repair, where replacement part was removable and disposable, patentee itself sold replacement parts for use in patented combination, and patentee provided instructions concerning part replacement); *Kendall Co. v. Progressive Medical Tech., Inc.*, 85 F.3d 1570, 1575 (Fed. Cir. 1996) (finding objective evidence of intent to support conclusion of permissible repair under circumstances similar to *Sage Prods.*).

Nonetheless, the petition yet again seals its own fate, conceding that "[e]vidence that a patentee intended that an unpatented part be replaced may well be relevant to the question of whether the patentee has admitted that repair was permissible." [Pet. 15]. It was simply not improper to reference any such evidence.

Although the petition attempts to make much of individual issues in isolation, it is clear that the isolated portions of the opinion that are taken out of context appropriately confirmed that there were no additional facts or circumstances that would support a contrary conclusion of permissible repair. The decision below was well-reasoned, properly considered the totality of the circumstances and is consistent with settled law. The petition is much ado about nothing, and this Court should deny review.

III. The decision was based on its own facts and circumstances and does not produce any far reaching consequences

In its final plea, the petition claims that the Federal Circuit's decision produces far reaching consequences. There are, however, no such consequences, and the decision makes clear that it was reached based on the particular facts and circumstances of this case.

For instance, the petition claims that the Federal Circuit improperly extended Sandvik's patent protection to an unpatented component of the patented drill, which would, it is argued, unsettle this area of patent law. [Pet. 16]. However, consistent with the petition's theme, this contention ignores the opinion's specific analysis to the contrary. Indeed, the Federal Circuit made clear that the drill tip was not separately patented, [App. 2a], and explicitly cited and relied on this Court's statement in *Aro I* that:

> No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement may be.

[App. 5a] (quoting *Aro I*, 365 U.S. at 345).

There is, therefore, no basis for the petition's argument that the decision below unwittingly extended Sandvik's patent protection to the unpatented tip of the drill, and the Federal Circuit's analysis never suggested that it did. [App. 6a - 7a] (considering E.J.'s activities with respect to the drill as a whole

and concluding that E.J.'s activities re-create the patented drill after it had become spent).

Nevertheless, the petition further claims that the Federal Circuit's decision has far reaching economic consequences on various repair industries. Not only is this contention overly melodramatic, it is also not true. The Federal Circuit's decision solely concerns Sandvik's patented Coromant Delta drills and only E.J.'s activities with respect to those drills. There is no affect on any other patented product or industry, and the decision never suggests otherwise. [App. 9a] (indicating that there is no bright-line test and reaching its conclusion "based on all of the facts *in this case*") (emphasis added).

If there is any downstream consequence at all, it is merely to serve as a reminder of this Court's rule from *Aro I*: where a defendant, without authority, in fact makes a new article, after the patented entity as a whole has become spent, those actions constitute infringement. Here, it is only E.J. who has committed such actions, and it is thus E.J. alone who must suffer any resultant consequences. There is simply no need for this Court's review.

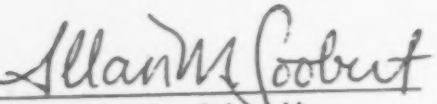
CONCLUSION

There is no conflict with this Court's precedent, and the petition's portrayal to the contrary badly distorts the underlying analysis. The Federal Circuit scrutinized all of the facts and circumstances and properly applied the plain and practical test laid down by this Court in *Aro I*. The Federal Circuit correctly concluded that the extensive retipping activities re-create the patented invention after it had become spent.

Contrary to the allegations in the petition, the decision below did not accord any individual issue undue weight in reaching this result. The Federal Circuit merely addressed these issues to confirm, as this Court itself has done, that there were no additional facts or circumstances that would tend to support a contrary conclusion of permissible repair.

The petition's factbound claims simply do not provide any cause for this Court's review. It is, therefore, respectfully requested that the writ be denied.

Respectfully submitted,

February 13, 1998 By: 

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MOTION FILED

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No. 97-1177

In The

Supreme Court of the United States

October Term, 1997

E.J. COMPANY, VIRA HAYES
AND
ROBERT HAYES,

Petitioners,

v.

SANDVIK AKTIEBOLAG,

Respondent.

On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

MOTION FOR LEAVE TO FILE BRIEF OF AMICUS CURIAE AND BRIEF OF AMICUS CURIAE OF THE TOOL CRIB, INC. IN SUPPORT OF E.J. COMPANY, VIRA HAYES AND ROBERT HAYES, PETITIONERS

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MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE

The Tool Crib, Inc., ("Tool Crib"), hereby respectfully moves for leave to file the attached brief amicus curiae in support of the Petitioners, E. J. Company, Vira Hayes and Robert Hayes, Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit. Petitioners' counsel has consented to the filing of the amicus curiae brief. Following written request by Tool Crib, counsel for the Respondents refused to grant Tool Crib permission to file the amicus curiae brief stating that the Respondent "does not believe that the Tool Crib's interest, if any, warrants submission of an amicus curiae brief in this case."

At issue before this Court is a threshold substantive patent issue as to whether the repair and replacement of an unpatented element of a patented product constitutes a permissible repair or an impermissible reconstruction of a patented product resulting in a patent infringement. Tool Crib asserts that this motion is well founded. The decision by the United States Court of Appeals for the Federal Circuit (hereinafter "Federal Circuit"), in *Sandvik Aktiebolag v. E. J. Company, Vira Hayes and Robert Hayes*, 121 F.3d 669 (Fed. Cir. 1997), reversing the grant of summary judgment rendered in favor of E.J. Company by the United States District Court for the Eastern District of Tennessee, reported at 930 F.Supp. 306 (E.D. Tenn. 1996), directly conflicts with this Court's opinion in *Aro Mfg. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (hereinafter *"Aro I"*) and should be reversed.

This Motion for Leave to File the Amicus Curiae Brief should be granted because Tool Crib has a succinct interest in the reversal of the Federal Circuit decision and is positioned to present arguments on this matter not addressed by the Petitioners which will be of considerable help to the Court. Specifically, the Tool Crib wishes to address the need for this Court to grant the Writ of Certiorari and examine the substantive patent law issue in order to restore a sense of certainty to the industrial tool industry.

The issue presented for the Court's consideration and the resolution thereof directly impacts the economic fortunes and long-term business prospects of Tool Crib and all other similarly situated industrial tool sellers and repairers.

Tool Crib is a commercial seller of the various industrial cutting tools, abrasives, gauges, coolants, and carbides, including the Sandvik Coromant drill which is at issue in this action. Tool Crib markets and sells new industrial tools to individuals and companies. In addition, Tool Crib both repairs industrial tools and sells materials for repairing industrial tools.

The Respondent, Sandvik, manufacturers and sells various drills and other industrial tools. The Sandvik Coromant drill is composed of a shank and a drill tip. The shank of the drill is patented. The drill tip is not covered by any patent. The fact that the drill tip is not patented is known by Tool Crib and others in the industry.

Tool Crib markets and represents to prospective purchasers the qualities of industrial tools. The market for industrial tools is competitive. Many different types of

tools are on the market. A prime consideration in the purchase of industrial tools is the cost and useful life of the tool. The objective of a purchaser of an industrial cutting tool is to purchase a tool in which the drill tip, or cutting edge, does not wear down after only limited use. Nevertheless, it is inevitable that the cutting edge will wear down and need to be repaired by retipping the edge.

In selling the tools, Tool Crib must represent when a drill tip can be repaired. Certainty has existed in the industrial tool industry that if the drill tip is unpatented that it can be repaired even if the shank of the cutting device is patented. The drill tip of the Sandvik Coromant drill is not immune to wearing down and is routinely repaired provided that the patented shank of the drill is not damaged and fully usable. In fact, retipping of the drill tip of the Sandvik Coromant is regularly done with the approval, consent and at the request of Sandvik.

Tool Crib is uniquely positioned to bring to the attention of the Court relevant matter concerning the far reaching impact and the uncertainty caused in the industrial tool business resulting from the Federal Circuit decision. Tool Crib is directly affected by any decision altering the terms and conditions by which a manufacturer can preclude the repair of its product by extending its patent coverage to unpatented elements. The substantive doctrines of patent law must apply to all industry participants equally.

Thus, contrary to the respondent's position, Tool Crib, as an industrial tool seller and repairer, has a real interest in the determination of a significant threshold

patent issue of what constitutes permissible repair as opposed to impermissible reconstruction. The decision by the Federal Circuit overruling the Motion for Summary Judgment granted by the United States District Court for the Eastern District of Tennessee, places the rights of all businesses engaged in the commercial sale and repair of items capable of repair.

For the foregoing reasons, The Tool Crib, Inc., respectfully urges the Court to accept and file the enclosed brief amicus curiae in support of the petitioners, E.J. Company, Vira Hayes and Robert Hayes.

Respectfully submitted, this 12th day of February, 1998.

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INTEREST OF AMICUS CURIAE[1]

The Tool Crib, Inc., ("Tool Crib"), files this amicus curiae brief in support of the petitioners, E.J. Company, Vira Hayes and Robert Hayes ("E.J. Company"). Specifically, Tool Crib supports E.J. Company's position that the decision rendered by the United States Court of Appeals for the Federal Circuit (hereinafter "Federal Circuit"), in *Sandvik Aktiebolag v. E.J. Company, Vira Hayes and Robert Hayes*, 121 F.3d 669 (Fed. Cir. 1997), reversing the grant of summary judgment rendered in favor of E.J. Company by the United States District Court for the Eastern District of Tennessee, reported at 930 F.Supp. 306 (E.D. Tenn. 1996), directly conflicts with this Court's opinion in *Aro Mfg. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (hereinafter "*Aro I*") and should be reversed.

At issue before this Court is a threshold substantive patent issue as to whether the repair and replacement of an unpatented element of a patented product constitutes a permissible repair or an impermissible reconstruction of a patented product resulting in a patent infringement.

The issue presented for the Court's consideration and the resolution thereof directly impacts the economic fortunes and long-term business prospects of Tool Crib and all other similarly situated industrial tool sellers and repairers.

Tool Crib is a commercial retail seller of the various industrial cutting tools, abrasives, gauges, coolants, and

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[1] Amicus Brief Financed by The Tool Crib, Inc., a Tennessee Corporation.

carbides. In addition, Tool Crib both repairs industrial tools and sells materials to others to make such repairs. Specifically, Tool Crib sells and repairs the Sandvik Coromant drill and sells materials to others who repair this drill.

Tool Crib markets and represents to prospective purchasers the qualities of industrial tools. The market for industrial tools is competitive. Many different types of tools are on the market. A prime consideration in the purchase of industrial tools is the cost and useful life of the tool. The objective of a purchaser of an industrial cutting tool is to purchase a tool in which the drill tip, or cutting edge, does not wear down after only limited use. Nevertheless, it is inevitable that the cutting edge will wear down and need to be repaired by retipping the edge.

In selling the tools, Tool Crib must represent when a drill tip can be repaired. Certainty has existed in the industrial tool industry that if the drill tip is unpatented that it can be repaired even if the shank of the cutting device is patented. The drill tip of the Sandvik Coromant drill is not immune to wearing down and is routinely repaired provided that the patented shank of the drill is not damaged and fully usable. In fact, retipping of the drill tip of the Sandvik Coromant is regularly done with the approval, consent and at the request of Sandvik.

The Federal Circuit's decision diverts from the standards of *Aro I* and creates uncertainty in the industrial tool industry as to the standards used in determining when a repair of an unpatented element of a patented

product is permissible and when the repair is an unpatented element may not be repaired. Tool Crib is directly affected by any decision altering the terms and conditions by which a manufacturer can preclude the repair of its product by extending its patent coverage to unpatented elements.

When the terms and conditions by which a manufacturer can preclude a repair of its product beyond the protection of its patent, the Tool Crib is adversely affected. The substantive doctrines of patent law must apply to all industry participants equally.

Thus, based on the above, Tool Crib has an identifiable interest in supporting the Writ of Certiorari filed by E.J. Company seeking reversal of the decision rendered by the Federal Circuit Court.

INTRODUCTION AND SUMMARY OF ARGUMENT

Tool Crib submits this amicus curiae brief on the threshold patent issue of what constitutes permissible repair of an unpatented element in a patented entity. The decision by the court below contradicts the decision by this Court in *Aro I*. Specifically, the decision by the Federal Circuit below:

(1) ignores and contradicts the long-standing dictates established by this Court in *Aro I;*

(2) creates uncertainty in the industrial tool industry by effectively expanding the parameters for determining whether a reconstruction of a patented entity has

occurred by relying on factors not pronounced by this Court, including the intent of the patentee;

(3) threatens to hinder the strongly competitive and rapidly innovative fields of involving the sale and repair of industrial tools by creating uncertainty as to the extent to which repairs are permissible;

(4) unnecessarily interjects increased uncertainty as to the extent to which an unpatented part is deemed to be inherently protected in a patented element; and,

(5) opens the door for manufacturers to impose their superior economic strength on commercial retailers and repairers to lessen or eradicate the market for providing repair services or products thereby adversely affecting the buyer-user of the product.

This Court has previously resolved the issue of "repair vs. reconstruction" in *Aro I*, as follows: " . . . reconstruction of a patented entity, consisting of unpatented elements, is limited to such a true reconstruction of the entity as to 'in fact make a new article,' after the entity, viewed as a whole, has become spent." *Aro*, 365 U.S. at 346 (citations omitted). This Court's pronouncement has been the controlling law on whether a patentee could successfully prosecute an action for patent infringement against a purported repairer for impermissible reconstruction of a patented entity when a repair was made of an unpatented element of the patented entity.

The rule of *Aro I* creates safeguards and objective guideposts for determining permissible repair from

impermissible reconstruction. Based on the Federal Circuit's decision, numerous questions and uncertainty exists as to whether the doctrine of "repair vs. reconstruction" as pronounced by this Court in *Aro I* is still fully controlling. The decision finds an impermissible reconstruction even though the test for finding such a reconstruction under *Aro I* was not satisfied. This holding by the court raises the specter that the decision in *Aro I* no longer represents the substantive law on the issue of "repair vs. reconstruction" but simply sets forth factors that a court may consider when faced with this issue.

Due to its contravention and divergence from *Aro I*, the decision creates both uncertainty in the repair industry and other industry wide problems for entities, such as Tool Crib, which repair non-patented parts of industrial tools and sell materials used for such repairs. By contradicting *Aro I*, the decision creates wide latitude for patentees to institute actions for direct and, more importantly, contributory patent infringement actions against entities involved in the repairing of non-patented items and selling materials used in the repairs which under *Aro I* are considered to be frivolous.

Only through rigid application of the standards of substantive patent law established in *Aro I* can certainty exist in the repair industry as to what constitutes repair as opposed to reconstruction. Interjecting the subjective element of the intent of the patentee, as imposed by the court, creates an opportunity for a patentee to effectively extend its patent.

The decision by the court transcends the commercial tool industry and is not limited in its effect to the specific

drill tip of the respondent. The substantive doctrines of patent law must apply to all alleged reconstruction of patented entities in the same way. Repairers of all patented items, whether machines or tools, must be treated equally.

The decision by the court permanently alters the framework by which a claim for impermissible reconstruction of a patented entity is to be examined and improperly includes the subjective intent of the patentee. The decision by the court unquestionably contradicts this Court's pronouncements on the "repair vs. reconstruction" issue and should be reversed to conform with the long-standing and established holdings of this Court in *Aro I* and the prodigy of cases that have followed.

ARGUMENT

I. THE DECISION OF THE FEDERAL CIRCUIT DIRECTLY CONFLICTS PRIOR CASE LAW ON THE REPAIR VERSUS REPLACEMENT ISSUE.

This Court, in *Aro I*, firmly established the parameters of substantive patent law for determining the issue of whether the repair of an unpatented element of a patented entity constituted a permissible repair or impermissible reconstruction. See, *Aro I*, 365 U.S. at 342-345. The decision below finding an impermissible reconstruction of an unpatented element contradicts this Court's prior holding in *Aro I* and the other cases decided thereafter.

The Federal Circuit has expressed its opinion that the decision by this Court in *Aro I* constitutes "an expansive view of conduct that constitutes permissible repair of a

patented combination of unpatented element." *Sandvik*, 121 F.3d at 672; *Sage Products v. Devon Industries*, 45 F.3d 1575, 1578 (Fed. Cir. 1995). Regardless of the Federal Circuit's characterization of the standards for permissible repairs, this Court's holding in *Aro I* as to what constitutes a permissible repair is not an expansive view but is the substantive standard under applicable patent law.

The standards pronounced by this Court in *Aro I* are used on a daily basis by entities engaged in the industrial tool sale and repair business to determine whether a particular unpatented part of a patented entity can be repaired. Tool Crib operates in a segment of the economy where certainty in the interpretation and understanding as to the delineation of the extent of a patent on various components of industrial tools is essential and is an issue raised on a daily basis.

The competitive nature of the commercial industrial tool industry requires Tool Crib, as a commercial retailer, to market and sell industrial tools that have a long useful life and/or are capable of being repaired so as to increase the life of the tools. If uncertainty exists as to the possibility of repairing an unpatented element, Tool Crib, as a downstream seller, is significantly hindered in its ability to sell new tools. In the course of its business, Tool Crib must be able to determine the scope of any patent and then rely on the language of the patent in order to represent to a potential purchaser that a commercial tool can or cannot be repaired. If the determination as to the extent of a patent is to be based on judicially created factors on a case by case basis as advanced by the Federal Circuit, uncertainty would exist as to whether an unpatented element could be repaired until the close of any

litigation. Moreover, uncertainty would also exist as to what representations could be made in the initial sell of the industrial tool. Thus, without following the strict guidelines of *Aro I*, Tool Crib could not engage in repairs or sell materials to other repairers with any certainty as to whether they were directly or indirectly infringing upon a patent.

Whether the Federal Circuit considers this Court's holding in *Aro I* to be a "expansive view" is irrelevant. The Federal Circuit's description of this Court's view of permissible repair as "expansive", does not grant to the Federal Circuit an unfettered license to create its own new standards for determining this issue whenever it feels necessary. The standards promulgated by this Court in determining what constitutes a permissible repair as opposed to impermissible reconstruction are not open to interpretation, limitation or modification by the Federal Circuit but must be followed so as to uphold the substantive patent laws applicable to all entities.

In analyzing the Federal Circuit's decision reversing the grant of summary judgment to E.J. Company, it is clear that the Federal Circuit does not follow the guidelines of *Aro I* but rather seems to overrule them.

The teachings of *Aro I* provide that in dealing with the "repair vs. reconstruction" issue that "[n]o element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and no matter how costly or difficult replacement may be." *Aro I*, 365 U.S. at 345.

In addition, in *Aro I*, this Court rejected the "heart of the invention test" as the distinguishing factor in determining whether a repair was in fact an impermissible reconstruction. *Aro I*, 365 U.S. at 344-45. In rejecting the "heart of the invention test", this Court held that a replacement of a distinguishing part of the patented combination does not amount to a reconstruction because a patent covers a totality of the elements in a patented combination. *Id.*; see also, *Dawson Chemical Company v. Rohm & Haas Co.*, 448 U.S. 176, 217 (1980) (this Court has "eschewed the suggestion that the legal distinction between 'reconstruction' and 'repair' should be affected by the element of the combination that has been replaced is 'essential' or 'distinguishing' part of the invention.") (citing *Aro I*, 365 U.S. 344); *Sage Products*, 45 F.3d at 1577 ("The size or relative importance of the replacement part to the patented combination is not relevant when determining whether conduct constitutes repair or replacement"); *Everpure, Inc. v. Cuno, Inc.*, 705 F. Supp. 725 (D. Conn. 1988) (In determining patent infringement under the repair doctrine, courts do not distinguish between repair and reconstruction merely because of the significance of the cost to replace the repair item or because of the duration of the item. Reconstruction only occurs when a new article is made.)

The Federal Circuit did not find a reconstruction by E.J. Company. At most, the Federal Circuit relied on the "heart of the invention test" and extended patent protection to an unpatented element. The basic parameters of the "repair vs. reconstruction" issue under *Aro I* were ignored and court clearly stepped outside the bounds of

Aro I to find that the replacement of the drill tip by E.J. Company constituted a reconstruction.

Moreover, the Federal Circuit focused on the following impermissible factors: (1) whether the drill tip, although unpatented, was essential to the patented combination; (2) the cost of retipping the drill; (3) the difficulty and time involved in retipping the drill; and (4) whether the drill tip was the distinguishing part of the patented combination, thus adopting an analysis under the "heart of the invention test".

Specifically, in its opinion, the court opined that "there are a number of factors to consider in determining whether a defendant has made a new article, after the device has become spent, including the nature of the actions by the defendant, the nature of the device and how it is designed (namely, whether one of the components of the patent in combination has a shorter useful life than the whole), whether a market has developed to manufacture or service the part at issue and objective evidence of the intent of the patentee." *Sandvik*, 121 F.3d at 673.

The factors relied upon by the court in holding that E.J. Company reconstructed the patent are not supported by any legal authority. The factors deemed relevant and material by the Federal Circuit are restatements of the elements this Court found not to be relevant in *Aro I*. *Aro I*, 365 U.S. at 344-45; see also, *Dawson Chemical Company v. Rohm & Haas Company*, 448 U.S. at 217; *Sage Products*, 45 F.3d at 1577.

The decision below fails to make any finding that E.J. Company reconstructed a patented entity, consisting of

unpatented elements and therefore actually made a new article as required by *Aro I. Aro*, 365 U.S. at 346. In fact, the Federal Circuit focused on the type of repairs performed, the cost and time involved and whether the patentee intended for the drill tip to be repaired. The only conclusion to draw from the decision is that the elements deemed not relevant by this Court were adopted by the Federal Circuit contrary to the standards of *Aro I.* The Federal Circuit therefore suggests that the *Aro I* standards are not now mandatory when examining the issue of whether an impermissible reconstruction has occurred.

Of all the unsubstantiated factors utilized by the Federal Circuit, the factor that creates the greatest concern is the Federal Circuit's finding that an impermissible reconstruction occurred because "no intent was evidenced by the patentee that would support E.J.'s argument that replacement of the tips is a repair". *Sandvik*, 121 F.3d at 674. The finding by the Federal Circuit that Sandvik did not intend the drill tip to be repaired conflicts with the business operations of Sandvik. As shown in Appendix A hereto, Sandvik itself markets regrinding software for its Coromant drill and encourages entities to regrind the drill tips. See, Appendix A.

Further, the opinion of the Federal Circuit that the patentee's intent is an element for determining whether an impermissible reconstruction occurred directly conflicts with *Hewlett Packard Co. v. Repeat-O-Type Stencil Manufacturing*, 123 F.3d 1445 (Fed. Cir. 1997).

In *Hewlett Packard*, the patent holder averred that the defendant infringed a patent by modifying the patented ink jet cartridge to make the cartridges refillable. The

plaintiff further asserted that removing the top of the ink jet cartridge to make the patented ink jet cartridges refillable constituted impermissible reconstruction and a direct patent infringement. *Hewlett Packard*, 123 F.3d at 1448-1451. The plaintiff petitioned the Federal Circuit to adopt and hold that the determination between permissible repair and impermissible construction turns on the intention of the patentee.

In refusing to adopt such an interpretation of patent law under *Aro I*, the Federal Circuit opined:

> The question is not whether the patentee at the time of sale intended to limit a purchaser's right to modify the product. Rather the purchaser's freedom to repair or modify its own property is overridden under the patent laws only by the patentee's right to exclude the purchaser from making a new patented entity. Each case turns on its own particular parts, but a seller's intent, unless embodied in an enforceable contract, does not create a limitation on the right of a purchaser to use, sell or modify a patented product as long as a reconstruction of the patented product as long as reconstruction of the patented combination is avoided. A non-contractual intention is simply the seller's hope or wish, rather than an enforceable restriction.

Hewlett Packard, 123 F.3d at 1453.

The holding of the Federal Circuit in *Hewlett Packard* and the holding rendered by the Federal Circuit in this matter cannot be reconciled. In the present case, the Federal Circuit held that the intent of the patentee not to have the drill tip repaired constituted the basis for determining that E.J. Company impermissibly reconstructed

the drill. Based upon the holding of *Hewlett Packard*, this factor is irrelevant and should not even be examined by the Court in determining whether an impermissible reconstruction has occurred.

The decision rendered by the Federal Circuit is not mandated by this Court's previous holdings since *Aro I*. The decision contradicts and conflicts with the long standing principles of substantive patent law guiding companies in the industrial tool business. By attacking this Court's decision in *Aro I* as an "expansive view" of the repair versus reconstruction issue, a precedent is established whereby other courts examining this issue will be able to fashion finds not based on *Aro I*. This will continually create uncertainty in the industrial tool industry.

The decision below grants patentees rights in excess of those granted under its patents. As such, the Writ of Certiorari should be granted and the decision of the Federal Circuit below should be reversed.

II. THE DECISION BY THE FEDERAL CIRCUIT BELOW UNDERMINES THE GOALS OF SUBSTANTIVE PATENT LAW.

The decision below is inconsistent with the underlying rationale of the patent law. The general premise of patent law is that the grant of a patent results in a quid pro quo exchange between the patentee and the public at large where each party receives a recognized benefit. Specifically, substantive patent law provides inventors/patentees with the power to exclude other inventors for a limited number of years control over that which they

have invented in return for the inventors disclosing their inventions to the public for their use, enjoyment or business pursuits. See, *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151 (1989). Should the decision of the Federal Circuit below not be reversed, this decision will sway the scale of the patent bargain providing patent holders with control over more than they invented and more than they disclosed, thus upsetting the "careful balance between the need to promote innovation and the imitation and refinement through imitation are both necessary to the invention itself and the very lifeblood of a competitive economy." *Bonito Boats, Inc.*, 489 U.S. at 146.

The decisions rendered by this Court have long recognized that uncertainty in substantive patent law sabotages the goal of encouraging innovation and raises the risk of experimentation by other inventors, business owners or entrepreneurs engaged in innovation. Without the certainty of substantive patent law establishing a clear limitation to the extent of a patent, other inventors seeking to explore the unpatented elements operate without fair notice as to what areas in which they may operate. It forces the inventors to risk punishing litigation and potential penalties. Patent law should allow businesses to make decisions as to the direction of research, development and services that they may offer and at the same time to limit the scope of protection given to an inventor's design.

The decision rendered by the Federal Circuit in this matter creates a real problem for the Tool Crib and others who could possibly be faced with an action for contributory infringement under 35 U.S.C. § 271(c). Under the teachings of *Aro I*, Tool Crib, as both the seller of carbide

blank tips for the replacement of drill tips and as a repairer, could ascertain whether its actions could be considered contributory of patent infringement.

In selling carbide blank tips, Tool Crib and others do not provide materials sufficient to create a new drill. Given the decision by the Federal Circuit, the selling of the materials used for the tipping would be deemed contributory infringement if the patentee did not intend for the unpatented element to be repaired. This creates tremendous uncertainty in the industrial tool industry that has been previously absent given the strict application of the *Aro I* standards.

In *Porter v. Farmers Supply Service, Inc.*, 790 F.2d 882 (Fed. Cir. 1986), Federal Circuit affirmed the District Court of Delaware's finding that a plaintiff, who sold a tomato harvester which incorporated a patented header, could not assert a contributory patent infringement claim against the seller of replacement discs which were used to repair the patented header. The Federal Circuit held that a permissible repair occurred when replacement discs were inserted to replace a spent disc because the repair simply restored the machine to operating quality. Thus, the seller of the replacement disc was not held liable for contributory/indirect infringement.

This analysis that allows for the repair of an unpatented element has been adopted by numerous courts dealing with the applicability of allegedly direct and contributory patent infringement. See, *Wilson v. Simpson*, 9 How. 109, 123, 13 L.Ed. 66 (1850) ("machines cutting knives could be replaced without violating the patent; purchaser is entitled to give duration to that which he

owns"); *Heyer v. Duplicator Mfg. Company*, 263 U.S. 100, 101, 44 S. Ct. 31, 32, 68 L.Ed. 189 (1923) (replacement of gelatin bands in a patented copying machine did not constitute reconstruction); *Danka Corporation v. American Precision Company, Inc.*, 827 F.2d 755, 759-60 (Fed. Cir. 1987) (replacement of component parts in patented heavy truck clutch because of wear was not reconstruction).

The industrial tool repair industry would be significantly hindered, if not completely eradicated, by the decision rendered by the Federal Circuit. Manufacturers, such as Sandvik, could at any point take the position that they did not intend for their product to be repaired enabling them to assert a direct patent infringement claim. This would effectively destroy the premise of a patent bargain. The actions of repairers would be effectively stymied. The patent bargain contemplates "the attractiveness of such a bargain and its effectiveness in inducing creative effort and disclosure of the results of that effort, depend almost entirely on a back drop of free competition and exploitation of unpatented designs and innovations." *Bonito Boats*, 489 U.S. at 151.

The decision by the Federal Circuit creates a wide and unpredictable gap in the patent bargain, to the detriment of the engineering and commercial business community, and therefore the public, by providing patent holders with windfalls they could not have expected and therefore did not rely on in choosing to disclose their patented products.

CONCLUSION

The Federal Circuit has created confusion on the "repair vs. reconstruction" issue and opened the door for expansive litigation as to all retailers of materials for carbide tips and other repair items and repairs in general. The decision rendered by this Court in *Aro I* limited such litigation. Based on the Federal Circuit decision an entity such as Tool Crib can actually be brought in as a contributory infringer without having any knowledge as to what constitutes a repair versus reconstruction.

As set forth by the Petitioners, if this matter is not reversed, patent protection will extend to unpatented parts of a patent combination. This creates considerable confusion to entities such as Tool Crib who might be dealing with the issue of repair and also in dealing with commercial sales. The economic impact could eventually stretch all the way down the line to consumers who will be faced with a monopoly type situation in which the manufacturer, such as Sandvik, can dictate when and where it would allow any replacement or repair of its items thus taking away a significant amount of business from Tool Crib and related entities. As shown in Appendix A hereto, Sandvik has in fact already started to attempt to eliminate the repair industry.

WHEREFORE, based on the foregoing, Tool Crib, respectfully prays that the Petition for Writ of Certiorari should be granted and that the decision of the Federal Circuit be reversed.

Respectfully submitted,

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February 12, 1998

[LOGO] MARKETING MEMO

Number 97 - 28 **September 11, 1997**

Sandvik Coromant Delta Drill Regrinding Software for Walter Helitronic Power Grinding Machines

Sandvik Coromant and Walter Grinder, Inc. have developed a software program to completely regrind the geometry for the Sandvik Coromant Delta drill. Sandvik Coromant has certified that the regrind from the software program meets all specifications. This software was developed to completely regrind the Sandvik Coromant Delta geometry including the negative chamfer, or K-land, as it is commonly called.

Associated Costs

This software program is acquired from Walter Grinder, Inc. Any charges associated with the acquisition of the program are the result of Walter Grinder, Inc. policies, Sandvik Coromant's role has been for development purposes only. Walter Grinder, Inc. has sole responsibility for after-market sales and service of the software.

For questions and inquiries, please contact Rick Martin, Product Manager, Metalworking Machines, at Walter Grinder, Inc. at 540-891-4214.

Approved vs. Authorized

If a grinding shop obtains and uses the approved Walter grinding program, this does not certify the grinding shop as an authorized grinding source. However, it does give

the grinding shop the ability to correctly grind the Sandvik Coromant Delta drill. In order the become an authorized grinding source, the grinding shop should contact Sandvok Coromant Product Management in Fair Lawn.

Authorized Recoating Service

Sandvik Coromant has worked exclusively with Balzers Tool Coating, Inc. in Elgin, Illinois, to duplicate the cleaning and coating processes used in manufacturing the Sandvik Coromant Delta drill. For quality results, better coating adhesion, and consistent performance, Balzers Tool Coating, Inc. in Elgin, Illinois is Sandvik Coromant's authorized Recoating Service.

Supreme Court, U.S.
FILED
FEB 20 1998
CLERK

(4)

No. 97-1177

In The Supreme Court of the United States October Term, 1997

E. J. COMPANY, VIRA HAYES,
AND
ROBERT HAYES,

Petitioners,

v.

SANDVIK AKTIEBOLAG,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONERS' REPLY BRIEF

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PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITIONERS' REPLY BRIEF

Petitioners have asked this Court to determine whether any patentee should be permitted to extend its patent monopoly to an unpatented part of a patented combination. Petitioners submit that this is the inescapable result of the Federal Circuit's new test for determining what constitutes permissible repair or impermissible reconstruction. In response, Respondent improperly reframes the issues, distorts the facts and mischaracterizes the petition as a "skewed and piecemeal attack" on the Federal Circuit's analysis. This attack on the Petition notwithstanding, the Federal Circuit's new test is contrary to this Court's test in Aro I and will result in uncertainty in the law in nearly all repair industries.

I. THIS CASE PRESENTS ISSUES OF NATIONAL IMPORTANCE REGARDING THE PROPER TEST FOR DETERMINING THE ISSUE OF REPAIR VS. RECONSTRUCTION.

In its response, Respondent makes light of the national significance of the issues presented in this petition and denies that the Federal Circuit's decision will have any consequence. Indeed, Respondent suggests that this petition is "much ado about nothing." Respondent's Brief in Opposition, ("Opposition"), p. 10. While Respondent may choose to ignore the precedential impact of this ruling, it is clear that the Federal Circuit considers that its ruling adds significantly to the body of law. Pursuant to Federal Circuit Rule 47.6(b), had the panel not considered that its ruling added significantly to the body of law, the opinion could have been designated as not citable as precedent. As pointed out by the Amicus, Tool Crib, in its Brief, there is now great uncertainty in the tool industry as to what activities are permissible.

Every business which either uses patented goods that are subject to repair and every business which offers repair services to patented goods must take notice of this opinion. This Court in Aro Mfg. Co. v. Convertible Top Replacement Co., 365 U.S. 336 (1961) acknowledged that:

> it is "the use of the whole" of the combination which a purchaser buys, and that repair or replacement of the worn-out, damaged or destroyed part is but an exercise of the right "to give duration to that which he owns, or has a right to use as a whole." Ibid.

365 U.S. at 342-43, 128 USPQ at 358. However, under the new test adopted by the Federal Circuit, the right of the

purchaser to give duration to that which he owns is now subject to factors "**not properly determinative of the question of permissible repair *versus* forbidden reconstruction**". 365 U.S. at 343-44 (Emphasis added). Thus, under the Federal Circuit's ruling a purchaser of a Sandvik drill must purchase a new drill, at greater cost, rather than repairing a drill with a damaged tip and thus "restoring the use of the whole" of the patented drill. And, this is true whether the drill was damaged through repeated use or through simply being dropped.

In an attempt to downplay the significance of the Federal Circuit's ruling in this case, Respondent asserts that the Federal Circuit merely followed Aro I and based its conclusions on "the facts in this case". Opposition p. 10. However, the Federal Circuit's conclusions were based on factors that it deemed issue dispositive. And, these factors will be deemed issue dispositive in future repair cases if this ruling is allowed to stand.

II. THE FEDERAL CIRCUIT HAS ADOPTED A NEW TEST THAT IS IN DIRECT CONFLICT WITH THIS COURT'S PRECEDENT.

Respondent also argues that the Federal Circuit has not created a new test. In this regard, Respondent asserts that

> The decision below is plainly a proper application of settled law, and there is no conflict with this Court's precedent. In attempting to curry review, the petition portrays the Federal Circuit's opinion as overlooking this Court's precedent and creating a new test. This portrayal is flatly contrary to the opinion itself and distorts the underlying analysis.

Opposition p. 4. Faced with the reality that the Federal Circuit has indeed enunciated a number of factors that are to be issue dispositive, Respondent asserts that the "Federal Circuit merely sought to confirm that there was [sic] no additional facts or circumstances that would support a contrary conclusion of permissible repair. Opposition p. 7. However, Respondent's characterization of the Federal Circuit's opinion in this fashion ignores the plain language of the opinion. In this regard, the Federal Circuit stated:

> **There are a number of factors to consider in determining whether a defendant has made a new article**, after the device has become spent, including the nature of the actions by the defendant, the nature of the device and how it is designed (namely, whether one of the components of the patented combination has a shorter useful life than the whole), whether a market has developed to manufacture or service the part at issue and objective evidence of the intent of the patentee. (emphasis added)

[App. 6a]. And, as the petition points out, while these factors can at times provide *evidence* that certain activity constitutes permissive repair, this Court has stated that they are not dispositive of whether a new article has, in fact, been made:

> The distilled essence of the Wilson case was stated by Judge Learned Hand in United States v. Aluminum Co. of America, 148 F.2d 416, 425, 65 USPQ 6, 15-16 (C.A. 2d Cir.): "The [patent] monopolist cannot prevent those to whom he sells from * * * **reconditioning** articles worn by use, unless, they in fact make a new article." **Instead of applying this plain**

> **and practical test, the courts below focused attention on operative facts not properly determinative of the question of permissible repair *versus* forbidden reconstruction. The Court of Appeals found that the fabric "is not** a minor or relatively inexpensive component" of the patented combination, or **an element that would expectedly wear out after a very short period of use—although its "expectable life span" is shorter than that of the other components—and**, for these reasons, concluded that "an owner would [not] rationally believe that * * * he was making only a minor repair" in replacing the worn-out fabric, but that instead, the replacement "would be counted as a major reconstruction." **We think that test was erroneous**.

365 U. S. at 343-44 (Emphasis added). Contrariwise, the Federal Circuit stated that its factors were dispositive of the question of what constitutes permissible repair.

For instance, both Respondent and the Federal Circuit place great emphasis on the steps necessary to remove the damaged tip and repair a damaged drill. The Federal Circuit even stated that Petitioner has to "break the worn ... tip from the shank" [App. 6a]. However, replacement parts must be manufactured and/or formed at some point. Certainly, the replacement tops in Aro I required a "first creation" of the top's geometry on a "primitive" piece of fabric "that never even bore the suggestion" of the convertible top embodied in the patent-in-suit in Aro I. This Court recognized this and stated that:

> No element, not itself separately patented, that constitutes one of the **elements** of a combination

> patent is entitled to patent monopoly, however essential it may be to the patented combination and **no matter how costly or difficult replacement may be**. (emphasis added)

365 U.S. 345.

Further, much is made of Petitioner's alleged "admission" arguing that the drills are spent unless retipped. See Opposition pp. 2, 5. This same argument was made to the District Court and the District Court concluded as follows:

> This argument is without merit. ... Certainly, one would maintain that a workable convertible top fabric is necessary to the proper functioning of a convertible top as a whole. Nonetheless, the Court in Aro I held that replacement of that convertible top fabric constitutes permissible repair of a part rather than impermissible reconstruction. Likewise, in the present case, simply because the carbide tip is essential to the proper functioning of the drill does not mean that replacement of that tip amounts to impermissible reconstruction.

[Ap. 21a - 22a] Indeed, Respondent's argument and the Federal Circuit's analysis ignores Aro I wherein this Court stated that "the entity 'exists' notwithstanding the fact that destruction or impairment of one of its elements renders it inoperable; and that, accordingly, replacement of that worn-out essential part is permissible restoration of the machine to the original use for which it was bought." Aro I, 365 U.S. at 342-43, 128 USPQ at 358. Petitioner respectfully submits that just as the test applied by the Court of Appeals in Aro I was erroneous, the test applied by the Federal Circuit in this case is erroneous, contrary to Aro

I and will unsettle this area of the law after more than thirty years of certainty.

III. IT IS RESPONDENT THAT HAS DISTORTED THE FACTS.

In opposing this petition, Respondent argues that the Federal Circuit correctly applied the law to certain allegedly undisputed facts. Petitioner respectfully submits that the test espoused by the Federal Circuit is erroneous and that any dispute as to the underlying facts is untimely and is properly a question for the trier of fact upon remand. However, in view of the spirit of Supreme Court Rule 15.2, the following factual disputes are noted. In numerous instances, Respondent alleges that no one other than Petitioner retips Respondent's patented drills. This assertion is inconsistent with the facts contained in the Amicus Brief. More importantly, the assertion is inconsistent with the record. In this regard, as stated in the Petition, Mr. Tony Yakamavich was the person designated by Respondent under FRCP 30(b)(6) to testify on its behalf on the "repair vs. reconstruction" issue. Mr. Yakamavich testified that he was aware that retipping was a common industry practice and then testified as follows:

> Q. Okay. Have you ever seen advertisements by companies indicating that they would retip Sandvik drills, other than E. J. Company?
>
> A. Specifically Coromant Delta drills?
>
> Q. Any Sandvik drills.
>
> A. Yes.
>
> Q. Have you investigated to see whether or not they specifically retipped drills that are covered by the patents in suit?

A. There is no relativity to that due to the product.

Q. I don't understand that.

A. You specified drills primarily. There are various types of drills. The patent is regarding the Coromant Delta drill, no other drills.

Q. Have you investigated these other companies that advertise retipping services to see if they are retipping those specific drills that are covered by the patents?

A. No, sir.

Q. The only one you've investigated is E. J. Company?

A. That's correct.

Q. If there was an investigation that you were unaware of -- or could there be an investigation that you are unaware of?

A. No.

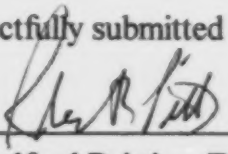
In light of Mr. Yakamavich's testimony that Respondent had not investigated other companies that it knew offered retipping services, Respondent's representation to this Court that Petitioner, E.J. Co., is the only retipper of Respondent's patented drills is entirely inappropriate. Further, Respondent's assertions regarding the lack of an industry, and the Federal Circuit's reliance on any alleged absence of an industry are contrary to, and refuted by, the assertions of the Amicus in the Amicus Brief submitted in support of this petition.

CONCLUSION

This is not a case in which the Petitioners are reconstructing discarded drills and selling the reconstructed drills to new owners. Petitioners repair drills at the request of the owners of the drills in order to give meaning to the owner's right to use the drill for its useful life and "to give duration to that which he owns, or has a right to use as a whole." In the case at bar, the District Court applied the well settled law as set forth in Aro I to the uncontroverted facts regarding Petitioners' activities and the uncontroverted fact that Petitioners only performed these activities on behalf of owner's of Respondent's drills and correctly concluded that Petitioners' activities constituted permissible repair. In Aro I, this Court held that the plain and practical test is whether a new article has been made, and that it is improper to focus on factors, such as the life span of the individual unpatented parts. Notwithstanding the fact that this area of patent law has been well settled for over three decades, the Federal Circuit, apparently dissatisfied with this Court's "expansive view of conduct that constitutes permissible repair", sought to narrow the range of permissible conduct. In so doing, the Federal Circuit, in a precedential holding, fashioned a test that focuses and relies on factors such as the life span of the individual unpatented parts, and incorrectly concluded that Petitioners' activities constituted impermissible reconstruction. As a result, this new Federal Circuit test abrogates the purchaser's right "to give duration to that which he owns, or has the right to use as a whole" and will give rise to uncertainty in nearly all repair industries as to what constitutes permissible repair. This uncertainty is evidenced and articulated in the Amicus Brief of Tool Crib in support of this petition. In view of the national impact of the Federal Circuit's new test and the far reaching economic impact it will have, Petitioners

respectfully urge the Court to grant this petition, and review the Federal Circuit's ruling in the present case.

Respectfully submitted



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